



Clinton launches economic plan

Ovation for presidential address; corporate America reacts

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Gambling on a wave of support; the economic agenda

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Anglo-French rivalry

Business culture lacks entente cordiale

Page 10

Tomorrow's Weekend FT

Extermination threat in uncharted Amazonia



FINANCIAL TIMES

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Europe's Business Newspaper

Krupp Stahl to cut output of steel products

Krupp Stahl, one of the best known names in the German steel industry, is set to shut down its entire output of steel sections, with the loss of 4,000 jobs in the heart of the Ruhr industrial region. The announcement came as thousands of steelworkers demonstrated in a number of steel towns against imminent job losses throughout the industry. Page 14, Europe's other steel industry news. Page 2

Bosnia aid delivery ordered

General Philippe Morillon, the French head of the UN protection force for aid convoys in Bosnia, pictured talking to UN special envoy Cyrus Vance (right), ordered his troops to deliver emergency supplies to a besieged Muslim enclave in eastern Bosnia regardless of the suspension of relief operations by the United Nations High Commissioner for Refugees. Page 8

HD/TV standardizes Europe will have to fall in line with the US on a transmission standard for digital high-definition television, the EC industry commissioner, Martin Bangemann, said. He said there was no point in starting a new global battle over advanced television standards by trying to set an exclusive EC standard. Page 14

StatOil profits fall 40% StatOil, the Norwegian oil company, reported a 40 per cent slide in 1992 net profits to Nkr2.5bn (\$361.3m) from Nkr4.1bn, caused by a big operating loss in petrochemicals operations, low oil prices and weak refinery margins. Page 15

UK jobless pushes above 3m UK headline unemployment last month pushed above 3m for the first time in six years increasing the prospect of tax increases in next month's Budget. Page 14; Further details, Page 7

Kingfisher merges with Darty Kingfisher, the UK retail group, completed its £1.1bn (\$1.56bn) merger with Darty, France's biggest electricals retailer, to create one of the biggest non-food retailing groups in Europe. Page 15; Lex, Page 14

RTZ moves into US coal business: RTZ, the world's biggest mining company, is moving into the US coal business with a \$470m agreed offer for Nerco, the troubled natural resources group. Coal operations at Nerco, which is 82 per cent owned by Kennecott Corp, will be merged with RTZ's US Kennecott Corp and gold mining subsidiary. Page 15, Lex, Page 14

Security Council plan for Japan Japan may become a permanent member of the United Nations Security Council after a wide-ranging review of the council's structure. Boutros Boutros Ghali, UN secretary-general, said at the end of a four-day visit to Japan. Page 6

EC-US procurement row: A possible solution to the row between the US and the EC over telecommunications and other government procurement contracts was put forward, based on "comparable, effective and lasting access" to each other's markets, and equal treatment to exporters. Page 3

Gehe in agreed takeover offer: Gehe, a leading German drugs wholesaler, announced a FRf800 (\$144) per share agreed takeover offer for France's leading wholesaler, Office Commercial Pharmaceutique. The merger would create the largest European pharmaceuticals distribution business, with sales of around DM14bn (\$3.5bn) a year. Page 16

Clinton proposed for Oxford degrees England's Oxford University has proposed US president Bill Clinton for the degree of Doctor of Civil Law by Diploma, a special degree reserved for royalty and heads of state.

Kirin Brewery's sales rises Kirin Brewery, Japan's largest food and beverage company, reported a rise in 1992 sales thanks mainly to its premium beer, Ichiban Shiroi, but posted a fall in non-consolidated profits. Pre-tax profits fell 4.3 per cent to Y82.7bn (\$868m), despite a 3.8 per cent rise in sales to Y1,366.1bn. Page 18

UK criticised over social charter: President François Mitterrand, speaking on French television, criticised the UK for "lack of solidarity" in opting out of the social charter of the Maastricht treaty, saying this had contributed to Hoover's relocation of its factory from eastern France to Scotland. Page 18

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Mood lifts in EC-US public procurement row

By David Dodwell, World Trade Editor, in Washington

A POSSIBLE solution to the dispute between the US and the European Community over telecommunications and other government procurement contracts was raised by negotiators yesterday based on "comparable, effective and lasting access" to each other's markets, and equal treatment to each other's exporters.

Negotiators agreed after two days of discussions in Washington that the EC could exempt US companies from rules which discriminate in favour of EC bidders for procurement contracts "if we have comparable access to the US market". They plan to meet again in Brussels on March 11.

The clash over public procurement flared last month after the new US administra-

Brittan appeals to Clinton administration not to complicate Uruguay Round

SIR LEON BRITTON, the EC external trade commissioner, yesterday warned the US against cluttering the Uruguay Round of world trade talks with new issues and fresh conditions, writes Andrew Hill in Brussels. But the European Commission welcomed President Bill Clinton's call, in his State of the Union address on Wednesday night, for an expansion of world trade and a successful conclusion of the talks.

Speaking in Cheshire in Britain

last night, Sir Leon said Mr Clinton had given "a clear lead" to the final stage of talks, when he announced last week he would ask Congress to extend the administration's "fast-track" negotiating authority.

Sir Leon met Mr Mickey Kantor, US trade representative, for the first time in Washington last week, and described him yesterday as "an open, agreeable, but tough negotiator".

He said any extension of the Clinton administration's negotiating mandate

should be short and free of fresh conditions. "If new issues are now being suggested, they should not be the pretext for delaying or complicating the present Round," he said.

The newly identified issues of today can readily be put on the agenda for discussion in the immediate aftermath of the present Round."

Sir Leon repeated that he was confident of a Gatt agreement, but warned that there was "a difficult

end-game ahead", and said negotiators should expect "a period of turbulence" before any deal was struck. But getting there will require persistence, resolution and determination."

The commissioner said the US should resist the temptation "to seek protectionist short cuts to economic recovery", and he said bilateral difficulties in trade between the US and the EC - for example, on steel and public procurement - should not be tackled unilaterally.

In response to US arguments that large US private sector telecommunications operators such as AT&T, MCI-Sprint, GTE or the "Baby Bells" should not be subject to procurement rules because they are not government run, Mr Keck said: "We don't care whether a company is private or not. What really counts is not ownership, but government regulation, and whether a company has special or exclusive rights."

"When you look at AT&T, you see they are operating under special privileges, under monopoly conditions. We need to look at their procurement behaviour because it is not what you would expect in a free market."

Officials say they have agreed a text from which to continue negotiations on telecommunications contracts.

Germany looks for business in India

By Shiraz Sidhu
In New Delhi

CHANCELLOR Helmut Kohl arrived in New Delhi yesterday on a four-day visit, primarily to strengthen economic ties between Germany and India, and to explore the business opportunities afforded by India's new economic reforms programme.

While in India, he and the 20 German businessmen accompanying him will visit the Indian Engineering Trade Fair. Germany was one of the first countries to send a business delegation to India when India opened up its economy to foreign investors last year.

Germany is India's largest EC trading partner, accounting for about 8 per cent of its total trade. Germany's exports to India totalled \$1.5bn (£1.64bn) and imports \$1.7bn in 1991. In the first half of 1992, trade was virtually in balance at about \$900m each way.

Finished goods, like leather products, chemicals, cotton and silk garments comprise some 85 per cent of India's exports to Germany; imports are mainly industrial machinery and fertiliser components.

India has received more than DM10bn in financial and technical assistance from (West) Germany since bilateral development co-operation began more than 30 years ago.

Mr Hans-Georg Wleck, German ambassador, said his country was looking towards Indian companies as potential partners in the machine tools, equipment and manufacturing sectors.

The fair, a biennial event organised by the Confederation of Indian Industry, an autonomous association representing some 2,600 Indian companies in the public and private sectors, has generated business inquiries worth Rs17.16bn (£405m) in the first three days, a record for the fair. The fair's success, especially in industrial engineering goods and machine tools, reflects India's changed business environment, say the organisers.

New China order for Ericsson

By Christopher Brown-Humes
in Stockholm

ERICSSON, the Swedish telecommunications group, said yesterday it had won a \$150m (£104m) contract to expand a mobile telephone system in Guangdong province - the largest Chinese order for a cellular system, it claimed.

The order will more than double the capacity of the network operated by Guangdong Mobile Communications, enabling it to serve 240,000 extra subscribers. The contract calls for the delivery of radio channels, mobile switching centres, data bases and radio link equipment by the third quarter of this year.

Ericsson, the world's leading supplier of cellular telephone systems, already has a strong presence in China. Apart from being the sole supplier to Guangdong, it has recently won contracts to supply Beijing, Tianjin, Guangxi and Hebei. The new order means mobile phone systems have a capacity to serve around 500,000 Chinese subscribers.

Keating plays the grand trade policy card

Kevin Brown in Sydney looks at Labor's pre-election vision of an Australian role in a new integrated Asian Pacific market grouping

WHEN it comes to electioneering, few political leaders have a greater sense of the value of a dramatic gesture than Mr Paul Keating, the Labor prime minister of Australia.

Launching his party's trade policy for Australia's forthcoming federal election, Mr Keating unexpectedly proposed the creation of an integrated Asia Pacific market of 2bn people.

Such a market would account for half of global economic output and 40 per cent of world exports, making it by far the largest of the world's trade groupings.

In addition to Australia and New Zealand, it would include the six countries of the Association of South-East Asian Nations (Asean), the three members of the North American Free Trade Agreement (Nafta), Japan, South Korea, China, Hong Kong and Taiwan.

From Canberra's point of view, the Keating plan is a natural development of Apec, the Asia Pacific Economic Co-operation forum initiated by Australia and the US in 1989.

Apec, which includes all of Mr Keating's target countries except Mexico, has become the main focus of Australian trade promotion efforts, mainly

because it accounts for 70 per cent of Australian exports.

But Australian officials have become increasingly worried about the potential impact of a breakdown of the Uruguay Round talks in the General Agreement on Tariffs and Trade on intra-Apec trade.

There is particular concern that the US might seek a series of bilateral trade deals offering preferential access to Nafta, which could be used to discriminate against Japan, Australia's biggest trading partner. Mr Keating, who has assured Tokyo of Australian support in such a dispute, warned the Clinton administration that it risked "accumulating resentment and resistance" if the benefits of such deals flowed mainly to the US.

The alternative, he said, was "an open economic association in the Asia Pacific region, in which its economies were by degrees integrated to create the world's most dynamic zone of production."

Mr Keating's proposal was intended to contrast Labor's enthusiasm for integration with the Asia Pacific region

Australian exports to Apec countries

1990 world total \$39.0bn
Apec total \$26.9bn
Taiwan \$1.3bn
New Zealand \$2.0bn
S. Korea \$2.2bn
US \$4.3bn
Asean \$4.4bn
Rest of world \$12.0bn
Canada \$0.8bn
China \$1.0bn
Hong Kong \$1.0bn
Japan \$10.2bn

Source: Monash University

with the more conservative approach of the Liberal/National Party opposition, which puts more emphasis on traditional trade.

However, as Mr Keating acknowledged, there are obstacles to the development of a cohesive trading bloc based on the loosely knit Apec grouping. Professor Richard Snape, head of the economics department at Monash University, concluded in a report on Australia's trading options that the size and

diversity of Apec meant that negotiations on a comprehensive trade agreement would face the same problems as the Uruguay Round.

For example, the US, Canada, Japan and South Korea are unlikely to make further concessions on agricultural trade than they have already made within the Gatt framework.

In addition, Apec already includes three incompatible trading blocs - the Asean free trade area, Nafta and the

Closer Economic Relations (CER) agreement between Australia and New Zealand.

Professor Snape's report also concluded that successful regional trading blocs usually exhibit a high degree of geographical proximity, similar levels of per capita gross national product and cultural affinity.

Recognising these problems and differences, Mr Keating suggested that Apec should initially seek harmonisation of trading and technical standards, competition regulations and corporate law, business practice, investment rules, and professional qualifications.

Even this would be a substantial achievement in a region containing economies as divergent as communist China, the US and Japan. The Asean countries, for example, have found reducing protection difficult, and Australia and New Zealand have so far failed to harmonise company and taxation law.

Whichever side wins the election on March 13, Apec will remain important to Australia as the only mechanism which offers Canberra a seat at the regional table.

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THE CLINTON ECONOMIC PLAN

Presidential rhetoric and flair attract wide support and leave the Republicans floundering

A speech to have them rocking in the aisles

By Jurek Martin in Washington

RONALD REAGAN did not like it. Ross Perot thought it was "excellent" but a little short on detail. Jack Kemp, sitting in the middle, loved its "historic and goals" but was sure it would not work and Paul Tsongas happily confessed that "the person giving it is not the man I campaigned against." Some of Washington's most conspicuous pundits, ever grudging in their praise, conceded it served a purpose.

According to two overnight polls, three quarters of those surveyed approved its proposals six out of ten "enthusiastically". One local TV station, camped in an old people's home, reported universal admiration and a willingness to contribute. A Washington Post editorial judged it "well balanced and sturdy".

HEALTHCARE

Soaring costs that have to be tamed

By Michael Prowse in Washington

PRESIDENT Bill Clinton's economic plan was like a book with a missing chapter.

All efforts to revive the economy would fail, Mr Clinton warned in the most moving passage of his address to Congress. If the country failed to take bold steps to reform the healthcare system.

He said the nation already spent 30 per cent more of national income of healthcare than any other industrial country, yet was unique in failing to provide a basic package of benefits to all citizens. On present trends, healthcare would absorb 20 per cent of the economy by the year 2000.

The figures released this week showed that the planned halving of the budget deficit as a percentage of gross domestic product by fiscal 1997 would represent only a temporary fiscal victory if healthcare is not reformed. Double-digit increases in spending on federal health programmes would result in steep rises in the deficit by the end of the decade.

But while identifying the nation's most pressing economic problem, Mr Clinton is not yet in a position to give a clear indication of the type of solution the administration will recommend. Wednesday's plan imposed some relatively minor new curbs on payments to doctors and hospitals under the Medicare and Medicaid programmes for the elderly and poor and increased funding for a variety of preventive health programmes such as children's immunisations.

But a full-scale restructuring of healthcare awaits the findings of the presidential task force headed by Mrs Hillary Rodham Clinton. It is expected to make recommendations by May.

The centrepiece of the reform is expected to be some version of system known as "managed competition". Mr Clinton has indicated that he wants people to be grouped into large healthcare purchasing co-operatives that could negotiate good quality and cost-effective care from competing providers in the private sector.

At issue is the degree to which such institutions would be subject to direct regulations. The administration is examining the feasibility of various more direct controls on the price and volume of services that hospitals and doctors can provide. One option would be to extend regulations now applying to federal schemes to the private sector.

But any changes are likely to provoke strong opposition, if only because cost controls in effect mean controls on the incomes of physicians, hospitals, insurance companies and drug companies, all of which are well represented by Washington lobbyists.

In the short run, there is no prospect of cost controls saving money. Indeed, fears are growing that the planned extension of health care benefits to the 37m Americans without insurance cannot be financed without a new wave of tax increases of between \$30bn and \$90bn (£21bn and £63bn). Companies fear that directly or indirectly they will be asked to pick up a large chunk of the costs of extending insurance.

But until Mr Clinton writes the healthcare chapter of his reform, his economic package remains an unfinished work, lacking full credibility.



Fired up: President Bill Clinton addresses the joint session of Congress, watched by Vice-President Al Gore. "If we do not act now, you will not recognise this country 10 years from now," he warned

Deficit reduction package puzzles analysts

By George Graham

PRESIDENT Bill Clinton's deficit reduction package includes substantial savings on defence spending over the next five years, but military analysts are still puzzled by the details of the defence budget plan.

Mr Clinton proposes a steady decline in defence budget authority from \$274.3bn in the current fiscal year to \$263.7bn in 1994 and \$268.4bn in 1997, rising again to \$264.2bn in 1998.

PRAISE FROM JAPAN AND EUROPE

By Charles Leadbeater in Tokyo and Lionel Barber in Brussels

JAPANESE and European business and political leaders yesterday gave a warm welcome to President Bill Clinton's plan to cut the US federal budget deficit.

Mr Yohei Kono, Japanese cabinet secretary and acting foreign minister, said: "I sincerely hope the US will renew itself. This is the first US president to ask the American people to share the pain."

Mr Henning Christensen, EC economics commissioner, called the package "encouraging and full of promise" - the most serious effort in years to tackle the federal deficit.

Over the five years from 1994 to 1998, this plan would cut a cumulative total of \$127bn from the defence budget projections of former President George Bush.

But the Bush spending plan, according to a report by the General Accounting Office, does not recognise additional expenses of over \$35bn in potential weapons systems overruns, \$22bn resulting from Congress delaying programme cancellations, \$6.4bn for industrial conversion and \$24.5bn for

cleaning up hazardous waste on defence property. It also assumes \$53bn in management savings, most of which the GAO says may not be achieved.

With little time to produce a complete budget proposal, Mr Les Aspin, the new secretary of defence, appears to have done exactly what he used to complain about when he was chair-

DEFENCE SPENDING

cleaning up hazardous waste on defence property. It also assumes \$53bn in management savings, most of which the GAO says may not be achieved.

With little time to produce a complete budget proposal, Mr Les Aspin, the new secretary of defence, appears to have done exactly what he used to complain about when he was chair-

man of the House of Representatives Armed Services Committee. Instead of building a US defence plan from the bottom up, he has simply cut from the existing pattern, in effect asking each service to come up with a specific amount of savings, rather than radically reviewing each branch's size and roles.

This approach, which

remains to be fleshed out with details of the specific weapons programmes that are to be cut, seems likely to reduce the US armed forces to around 1.2m people, 200,000 less than projected under the Bush plan.

Some outside groups that have proposed a more fundamental reassessment of the structure of the US armed forces believe this year's budget is a timid first step.

"This is the first chance of a new administration coming in after the end of the Cold War

to make real changes, and they are not even attempting it; they are tinkering around the edges," said Mr Marcus Corbin, a budget analyst at the Centre for Defence Information, a defence policy group founded by retired military officers.

With more time, Mr Aspin may prepare a more root and branch review for next year's budget, but some wonder whether the administration will by then have lost momentum and missed the chance for substantial defence revisions.

I'm a supporter of Clinton and I always felt tax increases were necessary. For 12 years we've been getting away from the social problems, the homelessness... state health care has to be improved, the deficit has to be attacked and I think Americans will accept that.

Mr Jeff Burke, who works for a US investment bank in London

I'm concerned about tax, but you have to strike a balance between taxes and spending. In the past 12 years the administration has done nothing to help the distribution of wealth. These are bold steps.

Mr Joseph V. Missett, who moved to London to trade crude oil

It will affect me deeply. I'm shattered. We're already paying high taxes - I'm paying at least 31 per cent.

Marianne, a currency trader in New York

Benefits seen for revival of global economy

Mr Martin Wassel, economics director of the International Chamber of Commerce in Paris, said: "Clearly America had to tackle these deficits. There may be a weakening in growth prospects in the short-term but in the longer term it will be healthy for the US and the world economy."

The European Commission yesterday also set aside worries that the package could postpone a US-led world economic recovery.

Mr Christensen singled out for praise Mr Clinton's short-term stimulus aimed at creating 500,000 jobs by 1994, through a temporary investment tax credit and accelerated public spending on housing, infrastructure and education. These measures were

similar to the EC's growth package combining incentives for public and private investment, he said.

Despite the initial welcome, some EC officials expressed disappointment that Mr Clinton had failed to use his State of the Union address to endorse the Commission's call for an early summit of the Group of Seven industrialised nations to promote world growth.

Sir Leon Brittan, EC External Economic Relations Commissioner, welcomed Mr Clinton's commitment to successful completion of the Uruguay Round, which he said he had expected after his talks with US officials in Washington last week. But in a speech to a local Conservative party

meeting in England, copies of which were issued to the press, Sir Leon said a period of turbulence lay ahead before a Gatt deal was clinched.

In spite of the plan's welcome in Japan, it is bound to add pressure on the country to open up its markets more and cut its ballooning trade surplus with the US. Tokyo has been pressing the US to cut the federal deficit for the past four years through the long-running Structural Impediments Initiative talks, insisting this was essential to cut the Japanese trade surplus with the US.

Mr Clinton's promise to cut the deficit will also add pressure on Japan to bring forward a special package of measures to stimulate its depressed

economy and increase demand for imports.

A senior official at the Ministry of International Trade and Industry said the combination of deficit reduction and subsidies for industrial research and development would help boost the competitiveness of US industry.

Business leaders acknowledged Japan would soon face increasing pressure to respond to the Clinton plan. Mr Gaishi Hiraiwa, head of the Keidanren, the largest employers' association, said Japan should contribute to the stable growth of the world economy through expanding domestic demand and opening its markets.

Undeterred, however, some were quick to throw down their own gauntlet, with their congressional allies voicing support. Thus both Mr John Sturdivant, representing government workers, and Congressman Steny Hoyer, the Democrat from Maryland who heads the subcommittee handling the federal workforce, said Mr Clinton's proposal to freeze federal pay was "unacceptable" and would be dropped.

But such storm clouds could not take much away from Mr Clinton on a night when he was firing on all cylinders. Last night, far removed from the grandeur of the chamber of the House, he was bedding down in the extreme modesty of the Comfort Inn in Chillicothe, Ohio, which will not have a presidential suite and where rooms normally go for around \$30 (£21) a night. This symbolism is just as important.

Health-care reform package will, realistically, not be completed until next year.

One fear for the package is that members of congress could amend it to death, adding their favourite tax provisions and exemptions.

The House Ways and Means Committee, which has primary jurisdiction over tax legislation, is expected to remain relatively disciplined. Members who want to propose amendments that will cost money must simultaneously propose offsetting spending cuts to pay for them.

Once it gets to the Senate, the legislation could become more difficult, even though budget rules, which are tighter than usual senate rules, allow only germane amendments.

"There are a zillion tax proposals sitting over there, many of which are plain mischievous," a House staffer said.

CONGRESS

Administration presses for a minimum of amendments

By George Graham in Washington

PRESIDENT Bill Clinton has called on Congress to deal with his economic programme as a complete package, instead of picking apart each component.

"I ask you all to begin by resisting the temptation to focus only on a particular spending cut you don't like or some particular investment that wasn't made," Mr Clinton implored in his speech to both houses of Congress on Wednesday night. But the legislative realities could mean that this will be difficult to achieve.

The current strategy is to pass a package of immediate spending measures, intended to boost the economy in the short term, in the form of a supplemental appropriations bill. Congressional leaders hope they will be able to get this through House and Senate

committees in four to five weeks.

All of the tax measures proposed by Mr Clinton would be rolled together into a budget proposal, to be laid before Congress by the administration on March 23, and pushed through in the form of a budget reconciliation bill.

Some members of congress had favoured attaching at least some of the proposals to a bill to raise the legal limit on the federal debt which must pass sometime before the end of March, when the current \$1.45bn (£2.67bn) ceiling will be breached.

But this bill, as well as legislation to extend benefits for those who have been unemployed for a long time, is expected to be passed "clean", without extraneous amendments.

President Clinton also called for this through House and Senate

a number of other legislative items, including gun control, tougher measures against crime, campaign finance reform, curbs on lobbyists and easier voting registration.

Democratic leaders hope

they can begin hearings on the reconciliation bill at the end of March and start to mark it up in detail at the end of April.

The goal is to have it passed and sent to President Clinton for signature before Congress goes on holiday in August - though many congressional staffers believe they will be lucky to complete the bill before the autumn.

Congressman Richard Gephardt, the leader of the House Democratic majority, is understood to want to add in to this bill the comprehensive reform of the health care system that Mr Clinton has promised to produce by May. Many others in Congress believe a

health-care reform package will, realistically, not be completed until next year.

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"There are a zillion tax proposals sitting over there, many of which are plain mischievous," a House staffer said.

I'm a Republican, but this represents an honest attempt to deal with the underlying problems of the US. I'm going to be a loser and so are most of the other people I know, but I live pretty well.

Mr Edward Streeter, president of the American Chamber of Commerce in London

I'm not all that upset about the increase. Living in the UK for a year and a half I realise that we Americans have had a very low rate of tax in the past.

Mr Bruce Lassman, head of the US tax desk at accountants Ernst & Young in London

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US BUSINESS

Pain of new taxes mixed with deficit pleasures

By Alan Friedman in New York, Laurie Morse in Chicago and Louise Kehoe in San Francisco

US BUSINESS leaders appeared divided yesterday in their initial assessment of the Clinton economic package. Many expressed concern that it could dampen the fragile recovery but others voiced support for its goals of creating jobs and reducing the country's budget deficit.

Among the new financial burdens for business are an increase in the top corporate tax from 34 to 35 per cent, a slashing from 80 to 50 per cent of the deductions that may be taken for meals and entertainment, and a cancelling of deductions for executive pay of more than \$1m, for club dues and for lobbying expenses. Tax credits for the purchase of new equipment were also part of the proposal.

The three main carmakers in Detroit offered conditional support for Mr Clinton's proposals. Mr Robert Eaton, chairman of Chrysler, called it a "tough package" but said this was needed in view of the size of the deficit.

Mr Harold Poling, chairman of Ford, noted that no one liked tax increases because they could have a serious effect on economic recovery. But he thought Americans might be willing to make the sacrifice for a period of time.

General Motors stressed that the package should be analysed in its entirety rather than in terms of how it affected individuals.

The computer and electronics sector was also divided. The most prominent support from any US business leader came from Mr John Sculley, chairman of Apple Computer and a self-professed Republican voter who sat next to Ms Hillary Clinton during the president's speech and applauded before the television cameras.

Mr George Fisher, chairman of Motorola, said while he was "quite willing to pay more taxes" on a personal level, the increases in corporate taxation were "very short-sighted".

Mr Craig Barrett, chief operating officer at Intel, hoped the higher corporate taxes would not wipe out the benefits of investment tax credits.

US TREASURY BUOYED

Officials feel load off their shoulders

By Michael Prowse in Washington

THE Clinton economic package would enable the US to hold its head up high in international negotiations and promote its agenda of global growth more effectively, a Treasury official claimed with evident satisfaction.

He said the package, which included a planned halving of the budget deficit as a percentage of gross domestic product over the next four years, was a "real response" to calls for tough US fiscal action from trading partners. It would set the tone for better international economic relations.

Foreign governments should note that the Clinton strategy was "consciously internationalist". The goal was to improve US economic performance not by erecting protective walls to foreign products or capital, but by domestic reforms that

raised US productivity.

The plan offered a real hope of lower long-term US bond yields and faster growth of output.

In recent years, US economic diplomacy has been hampered by its failure to take the tough budgetary medicine advocated by its trading partners and by international bodies such as the OECD and the IMF.

Since being nominated as Treasury secretary, Mr Lloyd Bentsen has repeatedly said he would try to revitalise economic co-operation between the Group of Seven industrial countries. He is attending a G7 meeting of finance ministers and central bankers in London on February 27.

He seems likely to press European governments to lower interest rates towards the low levels prevailing in the US and Japan as part of a co-ordinated strategy to promote global growth.

By Alan Friedman in New York, Laurie Morse in Chicago and Bernard Gray in London

THE US energy industry yesterday responded to the economic package with a blast of harsh rhetoric, warning that the proposed levy on petrol, heating oil, gas and coal could damage the economic recovery and cause a loss of jobs.

President Clinton's newly announced energy tax, based on the heat content of fuels, is aimed at avoiding a politically controversial tax on petrol and spreading the higher energy

costs between industry and family homes. Instead, the tax would be levied on the thermal content of fuels and, according to US Treasury officials, is expected to raise net revenues estimated at \$22bn a year once it is fully in force.

The tax would be imposed at a rate of 25.7 cents per million British thermal units on coal, nuclear energy and gas, and at a much steeper rate of 59.9 cents per million BTUs on oil. The administration plans to phase in the tax in three stages, charging one third of the full rate from July 1, 1994, two thirds a year later, and the

full rate from July 1, 1996.

When fully phased in, the tax is expected to add 7.5 cents to the price of a gallon of petrol, 26.25 cents to a thousand cubic feet of natural gas, and \$2.25 to the monthly electricity bill of an average household.

Mr Charles DiBona, president of the American Petroleum Institute (API), claimed, however, that it "really amounts to a thinly disguised gasoline [petrol] tax, one that would seriously harm eco-

nomic recovery and be a job-killer on ahammad scale".

Mr DiBona, in effect the energy sector's top Washington lobbyist, argued that the tax could reduce gross domestic product by \$170bn over five years and cost 600,000 jobs.

The API said it did not accept administration estimates of the cost of the new tax "because we do not believe the additional costs can uniformly be passed through on all petroleum products".

The tax was also attacked as burdensome to middle class families. Jobs that might be endangered were in the Midwest, South, Southwest and Rocky Mountain states because of the energy-intensive industrial and agricultural operations there.

In Oklahoma, part of the energy sector's heartland, Mr Larry Nichols, chairman of independent oil and gas producer Devon Energy, reflected the API's views. He thought the proposal was biased against companies like his because a number of the costs could not necessarily

be passed on to consumers.

The US coal industry reacted coolly. But Mr Steve Anderson of Westmorland Coal said "a carbon tax would have been much worse for us", a view echoed by Mr John Grasser of the National Coal Association, who said: "Coal prices will rise by about 25 per cent at the mine. Under a carbon tax it might have doubled."

He was also sceptical that coal use would fall as a result of the tax. "Eighty per cent of our coal goes to the electrical utilities, and the only competitor is gas which will be hit with exactly the same tax."

EC ENERGY POLICY

Europeans still agonising over carbon taxes

By Bronwen Maddox, Environment Correspondent

THE US energy tax measure removes one obstacle to the introduction of European energy and carbon taxes, but many impediments remain.

Unlike the US proposals, the European initiatives have so far been driven more by environmental pressure than a need to raise money.

The European Commission has proposed a tax on energy and on its carbon content to encourage efficiency and to discourage the use of fossil fuels which emit carbon dioxide and could contribute to global warming. EC countries are committed under the convention signed at last July's Earth Summit in Rio de Janeiro to find ways of stabilising emissions of carbon dioxide at 1990 levels by the year 2000.

However, the EC proposals are conditional on most industrialised countries adopting similar ones, to avoid handicapping European industries. In addition, there have been disagreements between EC countries about the best form of these taxes.

Poorer countries want them directed only at the heaviest polluting countries – the

industrialised ones – while a UK Treasury minister said in parliament on January 15 that Britain was "not yet convinced that a Europe-wide tax was a necessary or appropriate response to global warming".

Mr Ioannis Paleokrassas, the new EC environment commissioner, said in a recent interview that the difficulty of getting internal agreement within the EC, as well as with other industrialised countries, meant that proposals for the taxes were unlikely to make much progress this year.

In the form originally proposed, the EC energy and carbon taxes had most impact on the energy sector. However, intervention by governments in their power generation markets, such as the present UK coal review, could impede the working of the tax.

The UK parliamentary select committee on the environment last week argued that a carbon tax would be of little use in persuading electricity generators to switch to cleaner fuels if the UK government was proposing to subsidise coal.

The US decision has removed the European fear of competitive disadvantage. However, any hopes that this will speed up European negotiations may be premature.

JANUARY INDICATORS

Inflation rises as output advances

By Jurek Martin in Washington

US CONSUMERS prices jumped by 0.5 per cent last month, well above the revised 0.2 per cent advance of December and the steepest monthly increase in the last two years.

Other statistics released yesterday showed continuing strength in industrial production, up 0.4 per cent in January, another decline in the weekly claims for unemployment benefits and a small reduction in the December trade deficit.

Principal factors behind the rise in retail prices were more expensive vegetables, petrol, tobacco and clothing. But even excluding food and energy, whose prices tend to be more volatile, the so-called core consumer inflation rate also rose by 0.5 per cent.

Although the increase exceeded the expectations of analysts, January itself is often a statistically unreliable month and there was no immediate inclination to see in these figures a resurgence of general inflation. Last year consumer prices rose by a modest 2.9 per cent and President Bill Clinton's new economic proposals assume no additional inflationary pressure.

The 0.4 per cent increase in industrial production, follow-

ing revised gains of 0.2 per cent and 0.5 per cent in December and November respectively, is more consistent with the general picture of an economy modestly on the mend.

Increased output of cars and car parts accounted for about a half of the advance in the index, but production of consumer goods, business equipment and construction supplies also recorded advances. Total industrial capacity usage in January rose by 0.2 per cent to 79.5 per cent, the highest since October, 1991.

The US trade deficit in December fell to \$8.95bn (\$4.81bn) from the revised \$7.35bn of the previous month. This brings the cumulative deficit for the full year to \$84.34bn, up from \$65.40bn in 1991. The weakened economies of the main US trading partners and the domestic recovery preface a wider deficit in 1993.

In the year, the sensitive US trade deficit with Japan rose to \$49.4bn from \$43.4bn in 1991. It thus accounted for nearly 60 per cent of the worldwide deficit.

The US surplus with the European Community also dropped sharply last year to \$6.19bn from the \$16.42bn of 1991. In December the US ran a deficit with the EC of \$308m, half of November.

Shift in debt maturities Mixed reactions to foreign tax plans

By Laurie Morse and Tracy Corrigan

PRESIDENT Clinton's deficit-cutting plan may include a reduction in the maturities of debt issues by the US Treasury, in an attempt to reduce heavy interest costs.

Mr Leon Panetta, budget director, has projected \$1.5bn in savings over four years by shifting debt maturities.

Savings are possible because short-term interest rates in the US are substantially lower than long-term rates. The benchmark 30-year long bond yields 7.04 per cent, compared to the bond-equivalent yield of

BONDS

2.94 per cent on three-month Treasury bill. The wide margin reflects last year's short-term interest rate cuts and fears about the future impact of the budget deficit and inflation.

Mr Panetta tried to reassure the markets on Wednesday night by saying any change in the debt mix would be made gradually.

Analysts, however, say a shift in debt to the short end of the yield curve could be shortsighted, and would expose the huge US debt to increased rein-

vestment risk. "The \$1.5bn savings would come only if all things remain constant, and nothing does," said Mr Frank Samuels, credit market analyst at Stone and McCarthy Research Services.

The Treasury runs the risk of missing out on relatively cheap long-term rates while driving up the cost of short-term debt.

"With interest rates as low as they are, its time to lock in the long end, which is what many corporations are doing right now," said Mr Daniel Smith, president-elect of the American Bankers Association.

By Andrew Jack in London and Charles Leadbeater in Tokyo

FOREIGN COMPANIES with US operations reacted with a mixture of concern and relief to President Clinton's proposed corporate tax changes.

Foreign companies have been particularly relieved to see a retreat from President Clinton's strong campaign rhetoric to recoup up to an extra \$45bn over four years from overseas companies operating in the US. That figure has now been revised down to just \$1.85bn over six years. But they have expressed

worries about the \$38m additional expenditure to be made on hiring new investigators in the US Internal Revenue Service and increasing their audits on foreign companies to ensure compliance.

That will mean extra expenditure by companies in ensuring adequate documentation to prove that they have been filing accurate, fair tax returns. "Generally British companies are still very concerned and nervous," said Mr Peter Dickinson, head of international tax at accountants Coopers & Lybrand. "It is going to be much more expensive to operate in the US, now and the

COMPANY TAX

economic case for investing there has clearly been reduced."

"One company I have spoken to said this would be a frightening additional burden," said Mr Dickinson. "The feeling is the IRS has had enough ammunition in the past. Any more pressure will be intolerable."

Companies would also take a direct hit to their earnings from the 2 per cent basic increase in corporation tax to 36 per cent.

Mr Mike Worrall, of Wellcome,

the pharmaceutical company with US manufacturing operations, said: "In the short term there is little we can do. We plan no significant changes and we have no intention to pull out. The US is still a profitable market for us."

However, Japanese groups with US operations were more sanguine. In Tokyo, Honda, with two US factories employing 15,000 workers, said of their figures: "This is nothing of nothing to do with us to worry about. We have been following US law."

Toyota, the leading Japanese car maker, which has four factories in the US employing more than 10,000 employees, said: "We have contributed a lot to the US economy, we are not worried about it at all."

Sony, Sanyo and Matsushita, the electronics groups, which together operate 20 factories in the US all said they were not concerned about the plans. All the companies said the proposals would not affect plans for further investment in the US.

Mr Edward Street, president of the American Chamber of Commerce in London, said: "I think people are obviously concerned about how much of a ripple effect these proposals will have. But my hunch is the effects will be slight."

NEWS: INTERNATIONAL

UN general orders Bosnia aid delivery

By Laura Silber in Belgrade

GENERAL Philippe Morillon, French head of the United Nations protection force for aid convoys in Bosnia, yesterday ordered his troops to go ahead and deliver emergency supplies to a besieged Moslem enclave in eastern Bosnia - regardless of suspension of relief operations by the UN High Commissioner for Refugees.

The UNHCR in Belgrade welcomed the efforts of Gen Morillon. "If he gets through it will be good news for the people of Gorazde," said Ms Judith Kumun, head of the Belgrade UNHCR office.

Diplomats said the independent initiative of Gen Morillon reflected possible splits between the UNHCR and some of the national contingents of the UN peacekeeping forces. One diplomat described Gen Morillon as a "loose cannon".

UN forces on the ground in Sarajevo were reportedly stunned by the decision on

Wednesday of Mrs Sadako Ogata, the UN High Commissioner for Refugees, to halt relief operations in all Serb-held parts of Bosnia and air and land convoys to Sarajevo.

Serb commanders yesterday pledged to allow a convoy to travel to Gorazde today after Gen Morillon met Bosnian Serb commanders in Rogatica, about 30 miles north of Gorazde.

Gen Morillon promised Serbs that the road to Gorazde would be repaired, according to the UNHCR Belgrade office.

Eight UNHCR convoys over the past four months have reached the mainly Moslem Gorazde, in a Serb stronghold since war erupted in April.

UNHCR officials yesterday said warehouses in Sarajevo, which are at capacity, would be unlocked in an attempt to provide food for some 380,000 people trapped in the Bosnian capital. The Bosnian government last week said Sarajevo would refuse further aid ship-

ments until the UNHCR succeeds in reaching some 100,000 Moslems besieged in eastern Bosnia, some without relief since the war began.

Bosnian Serb commanders have repeatedly refused to allow the passage of UN humanitarian relief for Moslem enclave.

Serb commanders for four days this week stopped another convoy bound for Cetina, eastern Bosnia, because of fighting in the region. The convoy yesterday returned to Belgrade following the suspension of UN relief operations.

Bosnian Serb leader Radovan Karadzic said the UNHCR decision to suspend aid was regrettable and blamed Moslems for blocking the convoys.

• Russia has agreed that Nato could enforce any new peace agreement in Bosnia in what could be an unprecedented joint operation between former Cold War enemies. Reuter reports from Brussels.

Japan may be permanent Security Council member

By Charles Leadbeater
In Tokyo

JAPAN may become a permanent member of the United Nations Security Council after a wide-ranging review of the council's structure, Mr Boutros Ghali, UN secretary-general, said yesterday.

"There is a lot of possibility of Japan having a permanent seat, but it is a decision of the member states," Mr Boutros Ghali said at the end of a four-day visit to Japan.

The country's case for a permanent seat was also backed by Chancellor Helmut Kohl of Germany, who begins a visit to Tokyo in a week's time.

Mr Kohl told a Japanese television interviewer that it was natural that Japan should become a permanent member, following changes to the make-up of the Council, to reflect the rise of Asian economic power.

Germany is seeking a permanent seat on the Council.

Mr Boutros Ghali's comments are likely to rekindle the debate over reform of the Security Council, which has 15 members and five permanent members.

The UN is in the midst of asking its 150 members their

views on the subject.

Any reform would have to be supported by all five permanent members, at least nine of the overall membership, and a two-thirds vote of the UN General Assembly.

It could, however, be subject to a veto, perhaps from Britain or France, neither of which is enthusiastic about Japanese permanent membership.

It might also open up a flood of applicants from other states claiming similar status.

Mr Warren Christopher, US secretary of state, recently supported reform of the Council through agreement among its members, which would allow Japan a permanent seat.

His remarks provoked a sharp response from the British government, a permanent member, which is concerned it may lose its seat under a restructuring.

Mr Boutros Ghali seemed intent on wooing Japan, partly because a greater Japanese involvement in the UN might ease some of the organisation's financial pressures.

The secretary-general said he would welcome Japanese peacekeepers as part of the UN's operations in Mozambique, as a step towards Japan deepening its involvement

with the organisation. Japan's involvement in peacekeeping activities was not, however, a precondition for it gaining a permanent Security Council seat.

Japan's first peace-keeping unit took up its post in Cambodia last September, after years of agonising over whether such a role was appropriate under the pacifist constitution. It is barred from combat zones.

"Those with more economic and political power have more responsibility than others," the secretary-general added. "Important countries have important responsibilities. We need more participation from major countries. Japan is a great power and we need its participation."

The UN's credibility would be damaged if it was seen to be too much influenced by a single power such as the US. Japan should become more involved in the UN's activities to reinforce its international credibility.

If the United Nations is under the influence of one power, this is because that country is very powerful and because other countries are not paying enough attention to the UN.

Mitsubishi Heavy in job cuts

By Michiyo Nakamoto
In Tokyo

MITSUBISHI Heavy Industries yesterday became the latest Japanese company to announce a big cut in its workforce in response to the worsening Japanese economy.

The company, Japan's largest heavy machinery manufacturer, said it would reduce the number of employees at its Mihama plant in Hiroshima by about 10 per cent, or close to 400 workers, to meet an equivalent fall in demand for products made at the plant.

Last autumn, the company sent a number of employees working at its machine-tool plants temporarily to Mitsubishi Motors, a fellow-member of the group.

Mitsubishi Heavy said it aims to curtail its Mihama workforce over two years through natural wastage, reduction in graduate intake, and by transferring staff to affiliated companies.

The move highlights the spreading impact of the slowdown in Japan's economy on the nation's workforce.

The prolonged downturn has not yet led to huge redundancies, but Japanese companies have been restructuring their workforces by encouraging older employees to retire early, transferring staff to affiliated companies and restricting graduate intake.

A phone hotline for employees sponsored by a group of lawyers specialising in labour relations has received nearly 500 calls, many of them from white-collar workers.

Japanese newspapers report that a majority of the calls to the hotline were from manager-level employees facing pressure to take early retirement or redundancy.

The social stigma still attached to corporations which resort to drastic redundancies has led most companies to stress that the decision to leave is entirely up to the individual.

IBM Japan, for example, which launched a second career programme for people aged 50 or older, said it had no target for staff reductions, although 3,000 employees would be eligible for the financial support offered under the programme.

when Kuwait's 84,000 eligible voters returned what many of the 50 elected MPs consider to be the Gulf state's most powerful National Assembly ever - and certainly the most powerful assembly in the Gulf. In three-and-a-half months, the assembly has mandated parliamentary scrutiny of the state's accounts, and embarked on an unsparing examination of what went wrong in the days leading up to the Iraqi invasion in August 1990. Next it wants a decisive say in determining economic policies.

In a country which has seen almost as many suspended parliaments as sitting assemblies since the 1962 constitution came into force, MPs finally appear to have won a measure of real governing power.

This is not a development which will bring hails of joy in neighbouring capitals, where vaunted steps towards wider political participation more closely resemble a reluctant shuffle.

Nor is it entirely the doing of the ruling al-Sabah family. However, since their return to liberated Kuwait in 1991, they have had little choice but to accommodate a profoundly changed public mood.

That changed last October,

when the al-Sabah handled the crisis before the invasion, and its indecision afterwards.

However, increasingly, it reflects growing suspicion that al-Sabah hands have not been the safest for guaranteeing the security of Kuwait's endowment to its future generations: being its foreign investment.

The emergence since the end of the Gulf war of a stream of embarrassing revelations

"Since the first days of democracy, people have been asking about KIO"

about Kuwait's overseas investments, which topped \$100bn (£65bn) before the Gulf war, not only helped sweep an opposition majority into the National Assembly, but gave the new MPs a considerable lever over the ruling family.

It already appears that some members of the al-Sabah family may face prosecution for their part in the \$4bn losses of Grupo Torras, KIO's Spanish holding company.

Meanwhile, Kuwait's public prosecutor is helping to pre-

pare a criminal law suit against former KIO executives in London.

"This affair runs very deep," says one western diplomat.

The government has said it will do its utmost to uncover and punish all wrongdoing at KIO - whatever the family names of anyone found guilty.

It has also agreed to allow the assembly freedom to conduct its own investigations.

But if the al-Sabah have agreed to cede some of their governing power to the National Assembly, the parliament in its turn appears to have come to an understanding with the "political leadership" in the family.

In the words of one eminent MP: "We're saying give us more power to supervise our wealth and our future, and in return, the government can look after the investigation and punishment of its own."

This, in essence, appears to be the deal being cut between Kuwait's assertive new parliament and its ruling family.

The National Assembly understands our ruling family very well," says Mr al-Shatte.

"It also remembers the suspensions of previous parliaments, and we have decided not to push affairs to a confronta-

The emir, Sheikh Jaber, has come to an understanding with the "political leadership" in the family.

In the words of one eminent MP: "We're saying give us more power to supervise our wealth and our future, and in return, the government can look after the investigation and punishment of its own."

Kuwait lives in too unstable a region to wish to damage entirely the credibility of its rulers.

As a local diplomat says: "Whatever internal conflicts there may be here, there is unity towards the outside world. And there has to be."

Kuwaitis concede damage from row. See International Capital Markets Page

NEWS IN BRIEF

HK airport project chief replaced

By Patti Waldmeir in Johannesburg

THE African National Congress yesterday backed away from conflict over plan

to endorse the plan, which calls for a multi-party interim government to rule until the end of the century, reversing an earlier decision to refer the deal back to its membership for approval.

Mr Cyril Ramaphosa, the ANC Secretary General, said the decision had been unanimous. However, as he spoke in Johannesburg, Mr Chris Hani, a prominent ANC leader and general secretary of the South African Communist Party, contradicted him in a speech in Cape Town, saying the ANC would share power with the National Party in a "government of national unity" only for about nine months - the time it would take to write a new constitution - and not for the five years announced by Mr Ramaphosa.

Mr Ramaphosa's success at

pushing the deal through

the national executive

committee yesterday decided to endorse the plan, which calls for a multi-party interim government to rule until the end of the century, reversing an earlier decision to refer the deal back to its membership for approval.

The ANC's relaunched reform programme faced its first big challenge yesterday, as the naira fell sharply against the dollar and state governments began conceding demands for 45 per cent pay rises.

The government promised in

January to trim spending and

cut the budget deficit, reduce

inflation and curb money supply

in an effort to put the economy

on a stable footing before the

planned handover to civilian rule in August.

At yesterday's Central Bank

of Nigeria (CBN) foreign

exchange auction, the dollar

sold for 24.99 naira, compared

with 20.55 naira at the CBN's

last sale on January 19. Bankers

blamed the decline on high

inflation and a continuing

shortage of foreign exchange.

Fewer than 13 of the 80 banks

that bid at the Dutch auction

were successful. The central

bank was reverting to the

system scrapped two years ago of

competitive tendering by the

banks. It has cancelled all but

two of its scheduled weekly

foreign exchange sales in the

past two months.

Fears the country's

inflation will rise

again are mounting.

Mr Ernest Shorakan, chair-

man of the country's trans-

national council, is expected

to stress the importance of

keeping to budget targets when he

addresses a conference on the

economy beginning in Abuja

today.

Another area of dispute will

be the cabinet mechanism for

decision-taking.

Mr Ramaphosa insists that the majority

party will dominate cabinet

except in certain limited cases

where a two-thirds majority

will be required.

A ferry packed with Haitians

bringing food and animals to

sell in the markets of the capi-

tal sank in a storm and hun-

dreds of people were feared

dead, officials and witnesses

said yesterday. Reuter reports

from Port au Prince.

One survivor said there were

about 820 people on the boat,

but other reports put the total

as high as 2,000.

</div

Jobless above 3m for first time in six years

By Peter Marsh,
Economics Staff

HEADLINE unemployment rose last month to 3,062,065, the first time for nearly six years that the total has breached 3m.

Adjusted for seasonal variations, the total is 2,995,100, after a rise of 22,100 in January compared with the previous month.

Although the 33rd consecutive monthly rise in the adjusted total is the smallest since last June, employment department officials said there

was no sign the increase in unemployment was slowing down.

The headline or unadjusted total increased by 78,726 in January compared with December, much of the rise being due to seasonal factors. Last month's headline total is the highest since April 1987, while the seasonally-adjusted figure was last exceeded in January of that year.

A glimmer of good news for the government was that the underlying increase in average earnings across the economy in December was a year-on-

year 4.75 per cent, the smallest annual rise for 25 years.

The annual change in underlying earnings was 5 per cent in November, while last April it was 7 per cent. The subdued rise in wages may help the Treasury to hit its target of keeping underlying inflation below 4 per cent.

Underlining how the recession has contributed to calmer industrial relations, working days lost last year due to labour disputes came to £28,000, the lowest annual total since government records began in 1981.

Since the low point for seasonally-adjusted unemployment in April 1990, the number of people without jobs and claiming benefit has risen by 1.4m from 1.6m, or 88 per cent. Last month all UK regions expect for northern England registered a rise in joblessness.

The total in the south-east, including Greater London, rose by 11,800 in January, accounting for more than half the monthly figure for the UK as a whole. In this region, unemployment has increased by 618,300 or 188 per cent, since early 1990.

The lower-than-expected increase in unemployment in January followed a large 60,300 rise in December. The average monthly increase during the three months to January was 42,400, compared with the equivalent figure of 35,900 in the three months to October last year. In January, 10.6 per cent of the workforce was without a job, up from 10.5 per cent in December.

In manufacturing, employment decreased by 32,000 in December to 4.32m, after falls of 25,000 in November and 10,000 in October. In the year

to December, average earnings in the sector rose by an underlying 3.5 per cent, after 3.75 per cent in the year to the previous month.

Reflecting that manufacturing output has fallen in recent months by relatively small amounts while unemployment has risen steeply, output per person in the sector was up 6 per cent in December, compared with a year previously, the highest year-on-year figure since April 1989.

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Timex plant besieged by dismissed workforce

By Robert Taylor,
Labour Correspondent

ANGRY pickets yesterday besieged the Dundee plant of Timex Electronics, the US-owned multinational, in protest at the company's decision to sack all its production workers in Scotland and replace them with a new labour force.

This is the largest case of a mass dismissal of workers by a company in Britain since News International fired its print workers before moving to Wapping in east London in January 1986.

Yesterday the first 12 recruits walked into the Dundee plant, which makes printed circuit boards, through a picket line of former Timex employees.

Mr Peter Hall, the Timex president last night, said the mass picketing at the plant was illegal.

The company intended to increase production in the second half of the year and recruit a further 300 workers, he added.

With more than 10.2 per cent of Dundee's workers jobless, the company has been inundated with applications.

Mr Hall said the company had decided to replace its 320-strong manual workforce, following a 20-day dispute over lay-off provisions.

Senior executives flew from Connecticut last week in an attempt to hammer out a peace plan with the union. This involved acceptance of a rotation of lay-offs among the whole workforce for six months with access to independent arbitration; a pay freeze for 1993; a 10 per cent cut in benefits and introduction of a profit sharing scheme.

Mr Gordon Samson, the AEEU's district secretary in Dundee, said the workers had agreed to return to work but "under protest" and the company had then fired them. "This is a lock-out, not a strike," he said.

The trouble at Timex began just before Christmas when the company warned the AEEU that the Dundee plant faced closure or at least compulsory redundancies if the workforce did not accept lay-offs and a reduction in the value of their present lay-off agreement.

Firm in alleged charity fraud unlicensed in UK

By Norma Cohen,
Investigations Correspondent

TILEN Securities, the firm at the heart of an alleged £6m fraud, is neither registered in Britain nor authorised to conduct investment business here, regulators said yesterday.

Two individuals named in a writ filed by the Salvation Army, Mr Stuart Christopher Ford of Birmingham and Mr Gamil Naguib are also not authorised to conduct investment business, according to the Securities and Investments Board.

The Charities Commission requires trustees of charities to conduct investment business only through firms authorised under the Financial Services Act.

The Salvation Army, through its public relations advisers Lowe Bell, confirmed yesterday that an officer of its organisation has been suspended with pay pending the outcome of an internal investigation.

The Salvation Army has retained the accountancy firm of Coopers & Lybrand and City solicitors Slaughter and May to investigate the disappearance of the funds. It is believed a Mareva injunction – an order to freeze assets – is being sought in connection with the

writ. Last month the Salvation Army succeeded in obtaining an order to freeze assets held in Luxembourg. Assets of about \$320,000 were frozen.

The Salvation Army has declined to give any details of how the alleged fraud occurred or even to specify the date upon which it occurred.

The charity, which is the largest provider of social services after the government, last year had an income of almost £80m, of which £12m came from public donations.

It is the sixth largest UK charity – only the National Trust, Royal National Lifeboat Institution, Oxfam, Imperial Cancer Research Fund and Cancer Research Campaign are larger. In recent years it has expanded its area of work into areas once the reserve of local authorities, such as day centres and help for the disabled.

Its income from private sources comes mainly from legacies, with the government providing more than £20m a year to help fund its social services projects, such as its work for the homeless and the young unemployed in Southwark, south London.

It has about 55,000 members in the UK, with about 1.5m worldwide.

MAASTRICHT BILL

Fresh doubts on treaty claims

By David Owen

FRESH DOUBT was last night cast over the government's claim that it could ratify the Maastricht treaty even if it was defeated on an opposition amendment seeking to include the social chapter in British legislation.

The doubts were raised at Westminster after Mr Paddy Ashdown, leader of the centrist Liberal Democrats, released a legal opinion "totally at variance" with the advice given by the government's law officers.

In an open letter to prime minister John Major, Mr Ashdown said the opinion by Mr Anthony Lester QC reached a "wholly different" conclusion from that given by law officers. This raised questions related

"not just to the Maastricht Bill, but to the quality of advice offered by the Attorney General," he said.

Mr Ashdown also followed Mr John Smith, the Labour leader, by calling for the publication of the apparently conflicting advice on the amendment given by the law officers and the Foreign Office.

Mr Major has yet to respond to Mr Smith's request, which followed the government's embarrassing U-turn in the Commons last Monday when it admitted its original advice that the amendment would wreck the treaty was mistaken.

According to Mr Ashdown, the new opinion highlights Section 6 of the European Assembly Elections Act 1978, saying it makes clear that Par-

liamentary approval is required for any treaty which extends the power of the European Parliament.

This is "clearly applicable to the Maastricht Treaty and its protocols," Mr Ashdown said.

The new opinion appears to confirm the government's view that it can ratify Maastricht even if defeated over the amendment. But it suggests that under such circumstances, the social protocol could not enter into force without an agreement by other EC states.

Separately, ministers have accepted they may have a problem if Labour's amendment is passed, in paying for administrative costs of the social chapter which could be due from Britain even though it has opted out.

An export-led revival has failed to materialise, writes Tony Jackson

Trade deficit hampers UK recovery

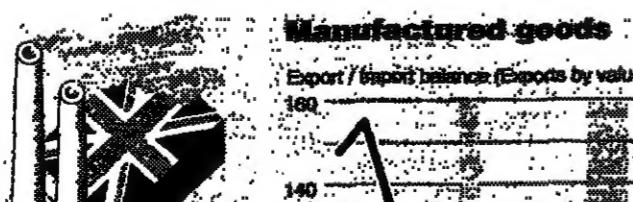
If John Major is looking to industry for an export-led recovery he could be disappointed, an FT study has found. In spite of recent efforts to promote exports, the trade gap in manufactured goods is likely to carry on widening.

An FT survey of industrial sectors shows some sectors in deficit, such as motors and electrics, are reviving following overseas investment. However, the decline of other sectors may accelerate.

Britain went into deficit in manufacturing trade 10 years ago, and last year, in spite of the recession, the deficit widened. There is now a long list of products in deficit which were in surplus 20 years ago. Besides motors and electronics, sectors in deficit include textiles and furniture. Individual items range from nuts and bolts to bicycles and pianos.

It is not an easy problem to grapple with. Guinness recently announced rationalisation and job losses in the Scotch whisky industry. It is to spend £25m on new automatic bottling equipment, all from abroad. "It is virtually impossible to buy high-speed, sophisticated bottling equipment in the UK," Guinness said this week. "The technology is in the hands of the Germans".

The FT's findings show that even in sectors in surplus the pattern is mainly of decline. The most commonly cited example of British industrial success in world markets is



In a two-part series starting on Monday, FT writers will look at the reasons for Britain's continuing trade gap in manufacturing.

pharmaceuticals, which last year contributed a trade surplus of some £1.3bn. But in 1990, exports of pharmaceuticals exceeded imports by a factor of four. By 1990 it was a factor of three, and last year exports were less than double imports.

There is a similar pattern in chemicals, which are also still in surplus. In the 1980s the industry cut back production of petrochemicals sharply, following heavy losses in the previous recession. As a result, it was unable to supply demand in the boom at the end of the decade. Import tonnage of PVC, a basic plastic used in the construction industry, trebled

between 1980 and 1991 while export tonnage halved.

Nor is it likely that the devaluation of sterling since last September will help. In 1970, when manufactured imports were only two thirds the size of exports, sterling stood at an average DM8.74 and \$2.40. Since then, devaluation and a declining trade balance have gone hand in hand.

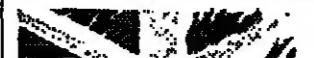
The brightest spots in the picture are in motors, where massive Japanese investment is expected to plug the deficit by the mid-1990s, and in electronics, where Britain is benefiting from foreign investment in consumer electronics, semiconductors and personal com-

puters. However, business location experts don't think the UK will continue to enjoy the lion's share of inward investment into Europe.

Mr David Rees, location specialist with Ernst & Young, said "I think Britain will continue to earn a high share of manufacturing projects relative to the size of its economy. But I do not believe it will retain its lead".

The reason he gives is low-cost competition from eastern Europe and greater efforts by other west European countries to attract investment. Investors are also starting to be deterred by Britain's hostile image to Europe.

Britain in brief



Lloyd's faces big claims on US pollution

Lloyd's of London faces a big increase in possible claims from US pollution, further damaging prospects for the insurance market.

Lloyd's syndicates have already put aside more than £1bn to pay claims from US pollution and are likely to need to increase reserves following an estimated 30 per cent upsurge in claims notifications during 1992.

"It is a young problem but it is still growing," said Mr Alan Pollard, chief executive of Syndicate Underwriting Management, which handles claims on behalf of more than 80 syndicates which are no longer in business and about 17 per cent of all pollution claims at Lloyd's.

The factory is expected to create 40 jobs in the area and will make toner, the fine black powder used to produce photo-copied images, for customers throughout Europe. At present, Kodak manufactures toner in the US and ships it to Europe.

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The factory

TECHNOLOGY

Shell's new production platform is a milestone for the oil industry, writes Haig Simonian

Moving into deeper waters

One of nature's less obvious amphibians has this week been inching its way into the blue waters of the Mediterranean off Taranto on Italy's south-eastern coast.

At almost 19,000 tonnes, the massive hull for Shell's new Auger production platform in the Gulf of Mexico represents a milestone for the offshore oil industry. As reserves in easily exploitable locations are gradually depleted, oil companies are searching for new sources in more hostile terrain, whether on land or ever deeper at sea.

The large rectangular structure, built by Italy's Bellini engineering group at its Taranto yard, comprises four 49m-high, twin-core steel towers, linked by a thick steel pontoon belt at the bottom and diagonal struts at the top. Like a giant upturned table, the 109m-long and 58m-wide hull forms the lower part of the new platform, which will stretch offshore oil production technology to unprecedented limits.

The completed platform, due to start producing oil early next year, will sit in 92m of water off the US coast. At that depth, it will beat by almost a third again the previous record depth for a platform, and could represent the first step towards a new generation of "super" oil platforms capable of operating at depths of up to 1,200m.

Working in such deep waters has obliged engineers to abandon previous platform technology in favour of new solutions to address the problem of how

to create a structure which will be sufficiently tall, yet rigid enough to permit oil to be extracted successfully and safely.

The offshore business has until now been dominated by two designs: the familiar "jacket" - tapering lattice-works of special steels, akin to a modern Eiffel Tower, which

Umberto Pellegrini, Bellini's project manager for the Auger contract. But as oil companies have pushed ever deeper to sea, the two designs have been showing their limits.

A 900m-tall jacket would be prohibitively expensive owing to the amount of steel required, he says. At that height, it might also be insufficient.

Onshore fabrication will set the pace for the even bigger tension leg platforms of the future

are floated on barges to the production site and then carefully tipped over so their feet sink to the sea bed. More recently, large, heavy concrete platforms have been developed for the North Sea, particularly by the Norwegians.

Both designs are still perfectly valid for shallow-to-medium-depth operations, explains

cliently rigid. As for a concrete platform, its weight would make it wholly uneconomic, he says. "Tension leg platforms are the answer to the oil industry's need to work in ever deeper waters. They combine stability and size with relatively low weight and therefore lower cost, than conventional designs," he adds.

The first TLP was developed about seven years ago for Conoco's Hutton field in the North Sea. Since then, two more have gone into operation in the Gulf of Mexico and the North Sea. However, the Auger platform marks the biggest and most expensive TLP to date. The hull alone cost around £200m (£315m), while the deck, being built by McDermott, the big US engineering group, will cost as much again. On to that must be added the separate modules covering functions such as production and accommodation.

TLPs comprise a large floating metal hull - the upturned table - on top of which the deck and modules are mounted. Although seemingly the simplest part of the structure, the hull is in many ways the key to how a TLP works.

Because it floats, the hull requires no direct support from the seabed, representing an obvious saving in weight, and therefore cost. But in order to

provide the necessary stability and rigidity, the TLP is attached to the ocean floor by 12 steel tendons - in reality 12-inch steel tubes bolted together in 100m-sections - which are put under tension to lock the platform in place. A pair of anchors, stretching up to 3km from each leg, provides further stability in the case of severe weather conditions, such as the hurricanes which can sweep the Gulf of Mexico.

The floating technology is deceptively simple, yet lies at the heart of the two key processes involved in preparing a

TLP for use. Precisely controlled ballasting and de-ballasting is needed for the first step, due later this year, when the hull will be "mated" with the superstructure at sea.

As no floating cranes exist which are powerful enough to lift an object as heavy as the 20,000 tonnes of completed deck, the process will be carried out by sinking the hull instead. Once in position, pumps in the four columns will start bringing in enough sea water to lower the top of the hull to the water line. In the meantime, barges carrying the

superstructure will move precisely into position over the submerged structure. By pumping out the water, the hull and superstructure will gradually rise, eventually reaching their desired operating height. Once there, the superstructure will be welded to the hull at five special anchor points topping the four columns. "It seems very simple, but it's actually very difficult, especially to avoid bumping," says Pellegrini.

Sophisticated ballasting techniques will also take centre stage when it comes to tensioning the cables linking the platform to the sea bed. The cables are put under tension by shedding ballast in the hull. Only once the platform is fully stable can oil start flowing through the 24 pipes, known as "risers", which link it with the wells on the ocean floor.

Although the Auger platform uses technology which has already been tested before, the depth at which it will operate means it represents a new challenge compared with its predecessors. Moreover, it is the first TLP to have its hull wholly assembled on land before being towed out to sea in one piece.

Bellini made three of the four main legs on the previous TLP,

built for the Snorre field in the Norwegian sector of the North Sea. But once fabricated, they were shipped to the main contractor, where they were then joined to the rest of the hull structure.

Onshore fabrication will set the pace for the even bigger TLPs of the future, the company thinks. Among projects believed to be under preliminary consideration are new platforms for Shell in both the Gulf of Mexico and off the Philippines, and for French oil companies off the Congo.

The new TLPs may have to operate in waters of up to 1,450m deep, stretching existing techniques still further. If the orders come through, they will be a godsend to an industry currently suffering from the downward phase of an often highly cyclical business.

Low oil prices and worldwide recession, reducing demand for oil, mean new orders for rigs and platforms have become scarce. In Bellini's case, the almost simultaneous launching this month of the Auger hull and two big modules for other platforms will leave the Taranto yard without work.

With only about half a dozen companies probably capable of building the big TLPs of the future, Bellini's engineers are setting great store by the experience they have gained so far. No other European fabricator has won a similar order for the US market, which is still largely dominated by US manufacturers.

However, even TLP technology could be nearing its limits - at least until more experience is gained with the current generation of platforms in operation. Pellegrini says extending current techniques to produce TLPs capable of working in up to 1,500m is quite feasible.

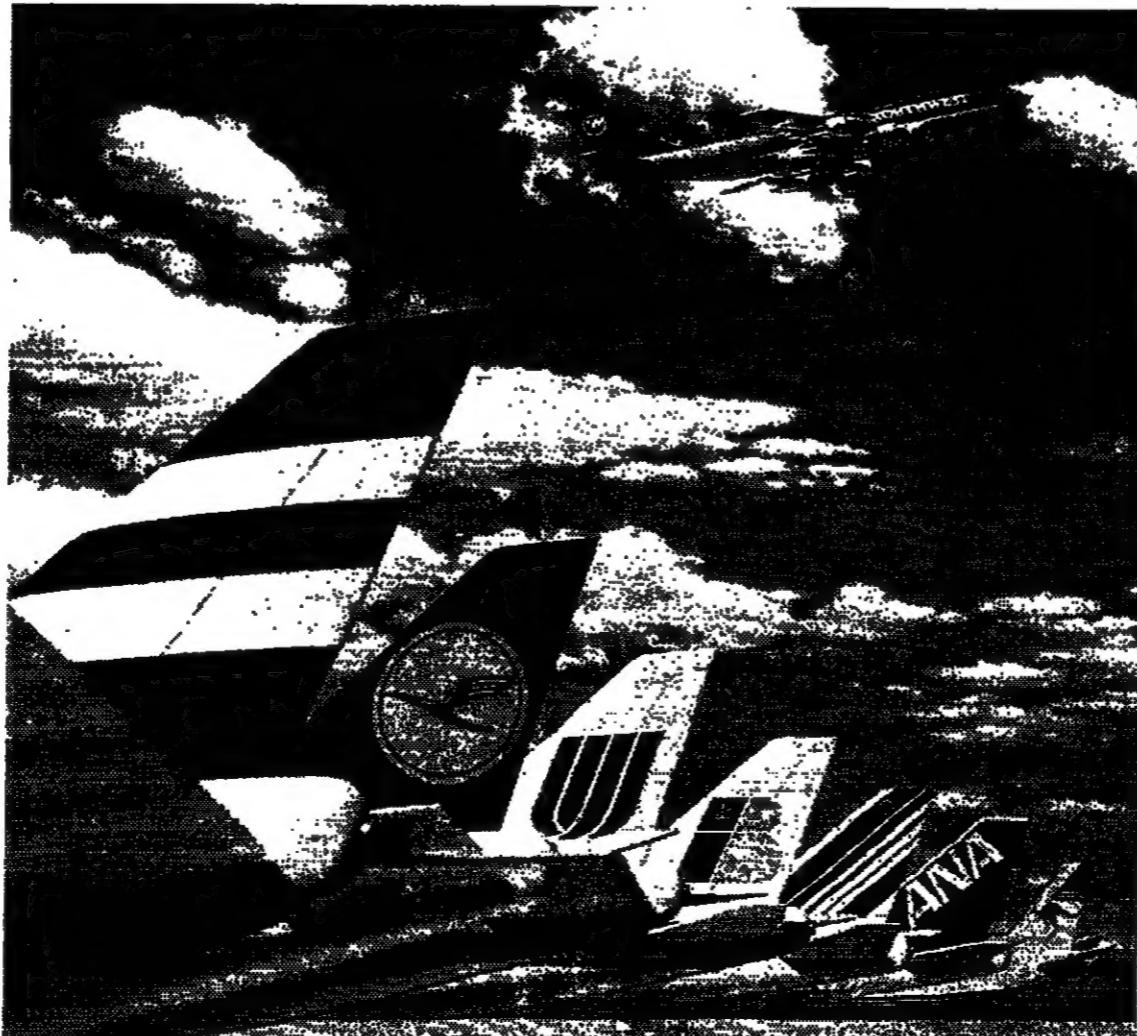
The challenge lies in going deeper. That will require new techniques for preparing the seabed templates to which the securing tendons are attached," he says. And even the most enthusiastic TLP engineers will want to see how their latest brainchildren, such as the Auger platform, perform at sea over a period of time before taking too big a leap further forwards.



The hull for Shell's Auger tension leg production platform is the first to be wholly assembled on land

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Worth Watching • Della Bradshaw

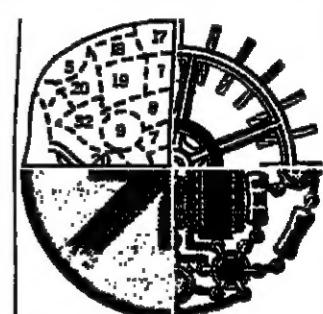
In conversation with your video

Perhaps the most irritating thing about watching feature films which have been recorded on home video is the adverts which pop up at the most exciting part of the action. Now US viewers can skip the commercials by shouting "zap it".

The VCR voice programmer, developed by Voice Powered Technology, of Camoga Park, California, also enables viewers to switch their video on and off and program it simply by speaking commands.

The device, the size of an ordinary television remote control unit, can also be used instead of the conventional remote control to operate the television and cable box.

The company is planning to develop the gadget, which costs \$169 (£119), for sale in Europe and the Far East. Voice Powered Technology, US, 818 407 5800.



vertical tube in which the algae circulates, harnessing sunlight for photosynthesis. Sewage has proven a particularly effective nutrient for the algae. The carbon dioxide produced when the algae are burnt is redirected to help new algae grow, preventing the emission of greenhouse gases.

The first power station could be in use within 18 months. University of the West of England: 0272 656 261.

• A novel fuel, which could reduce carbon dioxide emissions by 15 per cent, is now propelling buses in Canberra, Australia. Diesohol is a blend of diesel (84.5 per cent), hydrated ethanol (15 per cent) and emulsifier (0.5 per cent). The breakthrough, according to developers Space Research, is in the emulsifier, which helps the diesel and ethanol mix. Space Research: Australia, 49 32 3033.

New propellant flies high

Gunpowder, the essential ingredient in today's fireworks, could soon be replaced by a safer alternative.

Gunpowder is used as the lifting charge to propel the fireworks into the sky. Now researchers at the Cranfield Institute of Technology, working for Standard Fireworks, have developed an equally effective propellant which is bound with a polymer which makes it less sensitive - and therefore safer - and less expensive.

Cranfield's Alan Bailey has also developed an economical method of making the coloured "stars" that shoot out of roman candles based on memories of jelly babies being made in a sweet factory.

There the jelly was poured into a mould of cornflour, which formed the outer coating of the sweet. In the pyrotechnic version the cornflour is replaced by "igniter" material, which coats the metal pellets. Cranfield Institute of Technology: UK, 0793 7883220.

MANAGEMENT

The offer - a generous rent reduction in return for surrendering a small amount of office space - was too tempting to refuse. But as the head of the London-based services company who negotiated it explains, the deal with his landlord involved sacrificing an in-house gym.

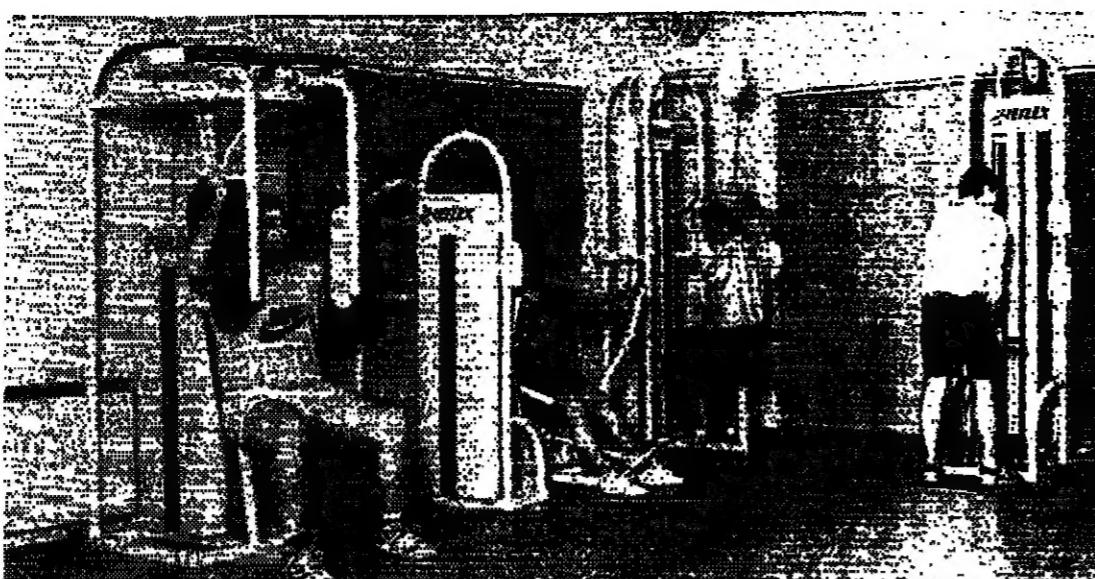
"I can't remember any other issue on which our employees felt so strongly," he now admits. "It was only when we secured corporate membership of a nearby health club that the rebellion was finally quelled."

The story is perhaps a salutary one for companies tempted to cut the size of their financial contributions to staff sporting, recreation and health facilities. Such perks are often justified on the grounds of improved employee motivation - but by the same token management which take the benefits away risk a disgruntled workforce.

There is little evidence that head office accountants are seeking to prune their employee sports and health budgets (as distinct from sports sponsorship budgets). A poll of 10 randomly selected large British companies this week revealed that boardrooms are certainly seeking to get better value-for-money and better usage of corporate facilities - especially those lavish sports grounds for traditional team games owned by the big banks and oil companies. If anything, though, the trend towards encouraging staff fitness and providing "lifestyle consultation" packages seems to be growing.

Fitness for Industry, a London-based specialist consultancy 51 per cent owned by the Forte Hotels group, says demand for its corporate fitness centres has seldom been greater. In the last six months FFI has opened five new in-house fitness centre projects, including one for the international oil group Conoco at Warwick and one for Vauxhall Motors at Luton.

Many companies are either reluctant, or unable, to disclose the overall cost of their employee sporting and fitness amenities. Exceptions include BT, whose annual sport and



British Aerospace employees pump iron at the company's new sporting facility in Farnborough

Office work-out

Staff fitness is to be encouraged, writes Tim Dickson

recreation budget is about £1.25m, and Prudential Assurance, which reckons it spends around £200,000-£300,000 in the London area. BT says its spending on employee sport and recreation has fallen in the wake of job cuts and general cost reductions; the Prud has stopped using a west London sports ground because of low attendance (due to staff concentrations elsewhere); while National Westminster Bank, which owns two vast sports grounds in south London, wants to make one of them more cost effective through non-staff membership and more extensive outside use.

Underlying different corporate strategies is the realisation that employee needs are changing. The leisure revolution has opened up numerous opportunities in the last few years for individuals to pursue their own interests, with the result

that company regattas and sports days - with prizes presented by the chairman's wife - now seem anachronistic. Boardroom thinking increasingly reflects the view that a fit workforce is potentially more productive.

Such a philosophy is much more widely accepted in North America, where groups such as Du Pont and the Canadian Life Assurance company have reported reduced absenteeism and lower staff turnover in the wake of corporate fitness programmes.

Pacific Railroad found that 90 per cent of its workforce believed their exercise programme made them more productive. FFI's marketing-manager David Parks believes that companies are moving from the position where they know the health and well-being of their workforce is important

to doing something about it.

In part he attributes recent demand to industrial relocation projects planned in happier times which are being implemented as part of a corporate cost cutting exercise.

A health centre is often an integral part of a relocation package", he says. Most of FFI's programmes incorporate a strong medical dimension; in Vauxhall's case Parks says the company found a latent demand for more health-related activity, as opposed to traditional social pursuits like darts and snooker. Team building and better internal communications are useful spin-offs from corporate fitness programmes, adds Parks. "There is nothing better for breaking down barriers than a director and a secretary working side by side on different pieces of equipment," he suggests.

Byron Samuel, operations director for South Wales Electricity, is sceptical that the Cardiff Arms Park euphoria could translate into higher output. It was impossible to quantify what happened the following Monday and attribute it to the match, he said.

In Wales rugby has contributed to economic growth through its links with Japan, from where investment has poured into the country. Welsh rugby teams nurtured the game in Japan and made the name "Wales" known there.

Anthony Moreton

Linking sport with productivity

worker is usually a better worker than a disgruntled one. But industry is highly automated now and the ability of the worker to increase his own productivity independently is restricted. In a highly labour-intensive industry it is just possible there could be a surge of output. The reality, though, is that everyone feels better, it's a little easier to go to work, and to give

more undivided attention to work while there."

Meirion Lewis, Welsh director of the Institute of Directors, said a good result gives an industrial lift. "In Wales, rugby permeates all levels of society. A win imparts confidence and if we can get the rugby right it provides a more optimistic outlook to the other things in life."

Anthony Moreton

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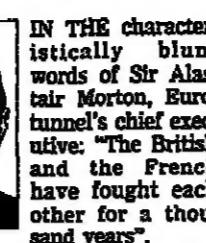
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Christopher Lorenz

An affair which refuses to become a marriage



IN THE characteristically blunt words of Sir Alastair Morton, Eurotunnel's chief executive: "The British and the French have fought each other for a thousand years".

Their business and financial dualities are also virtual opposites. So it is not surprising that they find it hard to handle cross-Channel corporate marriages and joint ventures. All too often the two "partners" war constantly with each other until one side - usually the French - emerges victorious.

That may seem a caricature of a set of very complex relationships, but it is uncomfortably close to the truth. Witness two events this week: the long-awaited decision of Britain's MB-Cardon, successor to the old Metal Box company, to seek shareholders' authority to sell out of its packaging joint venture with Carnaud; and a frank speech by Sir Alastair, whose organisation is one of the few shining exceptions to the general rule.

Take Eurotunnel first. It has had to overcome a legion of differences between the French and British ways of doing business, Sir Alastair told a conference in London. These ranged from contrasting approaches to the control of capital expenditure, to an entirely different attitude to meetings. Whereas British managers attended them to thrash out decisions, he said, "the French go to find out what the boss has decided to do".

That Eurotunnel has bridged such gaps is due, above all, to the openness and trust which Sir Alastair and his opposite number established early in the venture. But his remarks were based on more than just personal experience. A long line of business school research studies, at both Limburg in the Netherlands and Insead near Paris, has put the UK and France at opposite poles on a whole range of cultural measurements

regardless of nationality. A spate of consultancy and academic studies suggests that the average success rate of all types of takeover is only around 40 per cent - and that includes the many straight acquisitions where one side is clearly in charge from the start.

Even where the partners to a merger or joint venture are in closely related activities and markets, problems frequently occur because they have very different corporate cultures and styles of operating. It was this discrepancy, at least as much as national differences, which caused many of CarnaudMetalbox's early internal problems.

The neutral German-American who was brought in to run the group in late 1991 said the Carnaud managers were used to a "naively decentralised" style, while Metal Box had leaned too far in the other direction. Such problems can also be exac-

erbated when, from the very start, one partner sees its exit as a possible or even probable outcome. As Haspelsagh says, this is often the attitude of the UK side in a Franco-British venture.

Whereas the UK partner is frequently a public company, with a price at which its shareholders will ultimately sell almost any part of their business, the French side tends to be a holding company controlled by a family - and its supporting banks - for whom the enterprise is not an Anglo-Saxon dividend machine, but a method for leveraging industrial power.

The most notorious recent example of the Franco-British gulf in attitudes to investment and profitability was last year's fiasco at the Arjo-Wiggins Appleton paper combine.

This involved a tangled web of issues, including the sacking of the British chief executive and the apparent ability of the French shareholder, with only a 39 per cent holding, to dominate the board.

With an attitude to the share price which was cavalier in Anglo-Saxon terms, but prudent to the French, the result was a completely unexpected dividend cut which sent UK stockbrokers into apoplexy.

In stark contrast is the relatively sunny short history of GEC-Alsthom, a nominally equal partnership in power engineering. Here, the French now occupy the two top jobs and three of the top five. It would be facile to say that the French are completely dominant, but it must be doubtful whether the partnership will develop the ideal culture: one entirely of its own.

Some people claim this has occurred at the company's great Swedish-Swiss rival, ABB, although it actually feels far more Swedish than Swiss.

If a truly equal partnership is impossible, even between such partners, what hope is there for the French and the British, whose forms of capitalism and culture are so very different? The lesson may be that, with occasional exceptions, the two cultures are better at having affairs than at staying married.

Much the same as you, no doubt.

Christina Lamb flew into uncharted Amazonia to discover the fate of a Stone Age tribe living on top of one of the world's richest deposits of gold, uranium and diamonds. Now, the gold-seekers are pouring into the territory with their shovels and guns, their rum, their lust for women and, worst of all, their diseases.

John Authers assesses bond funds which invest in gilts to give savers an income.

Gerald Cadogan looks at the implications for foreign buyers of the UK's leasehold reforms.

What is the FT getting up to this Weekend?

Jancis Robinson discovers some funny things about the way the Belgians take wine, but not half as funny as the things the Belgians discover from her.

Nicholas Woodsworth runs into a firefight at Cambodia's famous Angkor Wat temples.

Catherine Stott joins the super-rich aboard one of the world's most expensive cruise ships. But Michael Skapinker explains that inexpensive cruises have become so popular with younger people that you might want to know how to avoid them.

And so it goes...

Weekend FT
Saturday February 20th, 1993

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ARTS
GUIDE

Like Pallas Athene, studio glass was born fully armed. It did not emerge out of a groundswell of independent glass-making activity but out of a workshop held at the University of Wisconsin in 1962. The aim was to see whether techniques could be developed that would enable an artist to work in glass in the intimacy of a studio. Within a decade, over 100 glass programmes had sprung up in the art schools of the US, and the implications for glass-making were being felt across Europe and Japan.

In 1965, Sam Herman arrived in Britain from Wisconsin and his teaching, first at Edinburgh and then at the Royal College of Art, inspired a new generation to take up the blow-pipe. Given that Britain had no real tradition of artists or designers working with glass manufacturers, as in Sweden, France, Italy and Czechoslovakia, the vigour of the studio glass movement in this country is all the more remarkable.

Contemporary British Glass at the Crafts Council surveys the achievements of the last 25 years. It is an eye-opening but also a perplexing and disquieting show. Appropriately enough, it opens with Herman's "Green and Gold Botte", a free-blown, organic-looking form that both illustrates the appeal of manipulating bubbles of molten glass and reveals why the majority of glass-makers here turned to more controlled "warm" or "cold" glass techniques.

There is a beguiling purity about the glass made in the 1970s. The American-born Steven Newell delights in contrasting transparency and opacity in his clean-cut translation of a Mannerist *Wunderkammer* cover; a "horn" cup and cover; and formal and technical purity combine in Pauline Solven's sculptural "Three Reed Stems". This was an exciting period of technical innovation and experimentation in hand-blowing, engraving, enamelling, sand-blasting, cutting and casting. Virtuous effects predominate, ranging from Peter Layton's exquisite mottling to Diana Hobson's paper-thin mosaics of textured *pâte-de-verre*.

After such refinement, the strident colour, heavy curves and triumphant scale of the 1980s comes as a rude shock. Vast, wobbly goldleaf bowls of streaky colour and self-conscious conversation pieces such as Steven Proctor's pretentious "Momentum" now seem as dated as fluorescent globular lamps and squidgy PVC chairs.

One might have expected some sense of direction to emerge in the recent work, which accounts for half of the show. Interesting technical experiments continue, particularly in the combining of techniques and media. Pauline Solven, for instance, builds colourful patterned structures out of mould-blown units that are sawn, reassembled, sandblasted and etched – and are not so unlike some Elizabeth Frisch ceramics. Keith Cummings and Anna Dickinson often combine glass with metal; Tatiana Best-Deveraux with ceramic.

The problem here is that too few makers know what to do with their skill and ingenious effects. At one extreme are the intricate pieces that degenerate into over-finesses, at the other are forms that simply do not know when, or why, they should end.



Steven Newell's 'Little Fox', 1981: blown, cased, sandblasted and polished

Blown out of proportion

Susan Moore looks at contemporary British glass

globose lamps and squidgy PVC chairs.

The quest for significant form has not, however, escaped the contemporary glass-maker. The modest group of black, African-inspired vessels on show, by Anna Dickinson, have a rare presence and quiet power. There is a similar assurance of handling in Steven Newell's boldly chased char-

ms. What is striking about a lot of recent work is a new emphasis on content and allusion: glass can no longer look like glass but has to be manipulated and camouflaged to the point where it might be any other material. I cannot see the point of, say, David Reekie's lost-wax cast figures of men poking their heads out of windows; and what does one do with whimsies such as Diana Hobson's feather-tipped mixed-media "Rainbow Jester" other than invent some kind of Post Modernist whatnot on which to display them?

What the last 25 years have

shown is that it has not been practicable for a glass artist to work in splendid isolation in his studio. Studio glass still has an extremely small market and, apart from Pauline Solven who has had her own studio since 1975, the most successful enterprises seem to be small co-operatives like Covent Garden's The Glasshouse, where commercial ranges offer an alternative to one-off pieces.

But this show has concentrated solely on one-off, domestic-scale pieces. Part II, which surveys the emergence of large-scale, sculptural and architectural glass, is scheduled for 1996.

Contemporary British Glass continues at the Crafts Council, 44a Pentonville Road, Islington, London N1, until March 7

Ballet/Clement Crisp

The Firebird

ity – and with Svetlana Beriova an exquisitely beautiful (and Russian) Tsarevna, we saw how our national company might restore some of the lost splendour of the Ballets Russes. (Subsequent revivals of *Les Noces*, *Les Sylphides* were further proof of this.)

The return of *Firebird* to the repertory last week was disappointing, a routine and unthinking revival. After four decades, the spirit of the piece seemed lost. There was no magic in Kastchey's garden at curtain rise; both lighting and set looked dingy. Company performances, with the exception of Flora Chadwick's *Firebird*, were lifeless. Kastchey's hordes had been rehearsed in "menace by numbers", and the group of Enchanted Princesses smirked relentlessly beneath their tangled locks.

That the ballet is not beyond redemption was proved on

rina interpretation, of a kind the Royal Ballet no longer chooses to show us.

It is good to report that Stuart Cassidy was a finely promising Ivan. The simplicity of manners that are right for this peasant-prince, and the proper aristocracy for the marriage-scene, culminating in the final raising of his hand – one of the most potent and most beautiful gestures in all ballet. Mr Cassidy did not cheat it of its force. Derek Rencher's Kastchey is a study in reptilian malevolence and devilish humour, and is perfect.

As a modish note, I record that the Opera House programme includes two full-page and unfathomable photographs of Viviana Durante, and, though the subject's head and face are obscured, gives credit for "hair" and "make-up". How fascinating. How rewarding as news. But what about her toothpicks?

Nina Ananishvili will be seen again at Covent Garden as The Firebird on March 18

Even 25 years ago, Mahler's Symphony no. 3 was heard only slightly more often than his Seventh – which is to say, hardly at all. Together they counted as his *symphonies mandatrices*, too "problematic" to earn regular performances. Then the Third began to enjoy the attention of a few mature Mahler conductors, with some memorable results – and then with too of ambitions but less practised maestros, in whose hands the gigantic first movement could seem arbitrary and brutal, and the final Adagio sentimentally, intolerably drawn out.

Kent Nagano, who took the London Symphony through the work at the Barbican on Wednesday, cannot be all that practised. Many another young conductor with a reputation in contemporary music has reached back to Mahler by way of expanding his range, and thus his career, and has come a cropper. When Nagano offered a Mahler Ninth with the LSO a few years ago, however, it was a precocious triumph of musicianship, and plainly of respectful, assiduous attention to what the likes of Horst Stein and Bruno Walter made of the score. This time he did no less with the Third.

And even more: for there is really no "definitive" reading of the Third, what with its patchy public history (and its

Concert/David Murray

Nagano's triumphant Mahler

exacting budget – large orchestra, women's and boys' choirs for just one movement and a strong alto soloist for two, unskimpily costly rehearsal-time).

At the end of the day, a conductor of this work must sink or swim on the precision of his own musical instincts. Nagano's were faultless.

Later, no doubt, he will define a larger-scale impulse in the opening "König", and develop a finer chiaroscuro for the wry grandfathers' dance "Tempo di menuetto". For now, he gave us far more than enough to be going on with.

That cataclysmic initial movement had a barely leashed, tooth-and-claw power and an ironical feel for municipal-hand sound, where many a municipal-hand

name (I forbear to name them) engineers a mere sequence of noisy assaults.

Nagano wound up the *Knaben Wunderhorn* scherzo to a wry height, and gave impeccably sensitive support to his alto – Birgit Remmert, a towering 27-year-old who may well be the leading Erda in Wagner's *Ring* for the next generation – in her *Nietzsche* soliloquy. The "Angels" movement found the LSO women's chorus brisk and clear, and the Southend Boys' Choir as boyishly apt as they always are in this work (a bit eerie, that, since in the nature of things their personnel must always be short-term members).

The Adagio reached a glorious apotheosis. Nagano paced it unerringly, from the first bated-breath melodic to their grand final dress. Each *subito pianissimo* in the flowing line clutched at one's heart; every new plateau was attained by cogent steps. For the first time in my concert experience, the grandiose, repetitive last pages were a mighty exultation instead of an over-instant redundancy.

Ingenuously, Ute Lemper had been recruited to preface the lengthy symphony with a half-dozen Weill songs. She is a class act, supremely *schlank* and importantly appealing in her little black dress, very high heels and husky mezzo. Some of my colleagues object to the voice; I thought it served her material very well, and well in time.

What Lemper lacks, simply, is music-theatre experience without the aid of a microphone – vocally character-building to an irreplaceable degree; and yet, so far as one could judge in the Barbican (where she may have had an unfamiliar mike), less sophistication in her address to it than many a straight pop-vocalist can boast. Her lively intelligence struck through nevertheless, and her performances struck home. It was a pity that her German texts in the programme-book were so badly proof-read and garbled.

Fringe theatre in London

Out of the Ordinary

This new play, for only two people, is a comedy about a common paradox: a woman's need to be (a) dependent on (b) independent from a man. Less obviously, it also concerns a man's need to be (a) independent from (b) dependent on a woman. The breakdown of a relationship, and of both people's nervous systems, is just around the corner throughout. Meanwhile, the woman's nerves are in the foreground. She is irritable without him, is irritable with him; she can't work with him there, can't work without him; she can't go outside without him, can't go outside with him.

Not all of this is funny, or meant to be. And the play's skill lies in its ambiguity of viewpoint. Much of the time, the woman, Betty, is enough to drive anyone crazy, whereas her man, Brian, is a model of new-man patience.

Occasionally, though, you feel that her neurosis is a lot more interesting than his endless courtesy. You also start to feel that he is actually the more passive of the two; and that he needs her more than she him; even that she is very reasonable; a safe facade he dare not drop.

Certainly his petty lies and conventional euphemisms enrage her. He comes back from having an over-long drink with a friend who "sends his love," he pretends he hasn't been smoking, and then he asks about her evening. "The Chippendales popped round," she snaps. "They fucked me senseless... They send their love as well."

Her rudeness is out of all proportion – yet you sympathise. Or do you? She is terribly lifelike, and yet wholly absurd. She forever makes impossible demands of him: even "You don't pull

down the barriers I put up for you."

An incidentally remarkable feature is that the same woman, Debbie Isitt, is the writer, director and actress.

She plays Betty as a rapid

mumbling

or whining

Brummie who seldom gets out of pyjamas; Brian (Mark Kilmurry) is a more lucid

speaker,

a more natural

communicator

altogether

more wretchedly normal.

He gets things done; she cannot even post a letter for him.

She insists, however, that for all her panicky

incompetencies, she is capable

"I could handle anything if it actually happened. It's just the thought of it that I can't

stand."

The scenario at first seems

so thin, and so nearly

maddening,

that you think

"This isn't enough for a play."

Soon, however, the absurd

claustrophobia

of the

relationship becomes so all-important that any subplot or extra characters would only weaken its fabric. Eventually, we see that there is a plot; that somehow the relationship has to change.

Betty isn't a little housewife; she is a modern woman with a career of her own as a critical writer. The play interleaves her relationship with Brian with her feminism and the male/female relationships in Hitchcock films. Here is one element that is too thinly fleshed out; Brian's work life is another. *Out of the Ordinary* is only 90 minutes long, and one of the best things about it is the way it ends – not with a feminist bang but a male whimper.

Alastair Macaulay

At the Theatre Upstairs, Royal Court

John Osborne's 'Luther'

In a week of early 1980s London revivals, the one that stands out is John Osborne's *Luther* at the Hen and Chickens Theatre in Islington. Here is a very well-written, serious, intelligent piece that should not have neglected for so long.

The play was first performed at the Theatre Royal in Nottingham, then at the Royal Court in London, in 1961 when Osborne's reputation after *Look Back in Anger* and *The Entertainer* was at its height. Albert Finney played Luther. There was much discussion at the time of the apparent thesis that the dissident priest was influenced by trouble with his bowels; he was said to be an anal neurotic. Finney dominated the production.

Today *Luther* looks a gentler, wiser, more thoughtful play, more about society as a whole than one man's anger. Two thoroughly tenable propositions emerge. One is

that by challenging the catholic church so savagely on its selling of indulgences, Luther set faction against faction in a way that benefited no-one. The other is that he was the founder of German power.

As Stalpitz, the Vicar General of the Augustinian Order, remarks of Luther's resistance to the ways of Rome: "The world's changed. For one thing, you've made a thing called Germany, you've unleased a language and taught it to the Germans, and the rest of the world will just have to get used to the sound of it... You've made the body of Europe... All I beg of you is not to be too violent."

There is no hostility in that comment, just an acceptance by Stalpitz, played here as a genuinely wise old man by Patrick Godfrey, that Germany is on the way up and Italy is on the way down. Note, too, the use of the word "unleased";

not "unleashed" or anything savage like that, just a gradual process of evolution from Latin to German. This is Osborne writing with precision language and a remarkable grasp of history.

Ben Walden's Luther is on the whole a sympathetic figure, not because he is a rebel whom everyone outside the catholic hierarchy knows is right, but because he evidently suffers from self-doubt. At the end he admits to Stalpitz that he really was not sure whether his denunciations of the church were fully justified. True, he suffers from constipation, but this is not central to the interpretation of the character. Walden's performance gains by not trying to take over the play.

Some of the speeches are very long; there is very little of the customary Osborne knockout. Yet here again is a tribute to his writing: he has mastered his material and

there are fine distinctions of character both within the laity and the clergy. The one set-piece that might just remind you of *The Entertainer* is *Tetzel*, the Dominican Inquisitor cheerfully selling indulgences in the market square. The part is wonderfully played by David King.

The production comes from the Operating Theatre Company directed by John Link. It is now managing the Hen and Chickens Theatre. The next stage in a pub theatre like this must be to improve the physical conditions. Stifling enough for the audience, they must be almost unbearable for the actors – particularly those in *Luther* wearing heavy clerical robes.

Malcolm Rutherford

Hen and Chickens, London N1 until March 13. (071) 764 2001

1989. Ends March 21.

Closed Mon

VIENNA
Albertina Albrecht Dürer: three of the great woodcut series by the German Renaissance engraver and illustrator – the *Apocalypse*, the *Life of the Virgin* and the *Passion*. Ends April 25.

Daily
Künstlerhaus: The World of the Maya: 300 exhibits which are intended to evoke the lost civilisation of the ancient central American peoples. Ends June 27. Daily

KunstHaus: Andy Warhol: 100 silkscreen prints, paintings and pop art sculptures. Ends May 31. Daily

ZURICH
Kunsthaus: From the Treasures of Eurasia: 170 antiquities chosen from 15 museums in Russia and Ukraine by George Ortiz, whose own rich collection of antiquities is being shown in exchange in St Petersburg. The objects cover a wide range, from Greek vases, sculpture and bronzes, to Scythian gold and silver jewellery, Egyptian statues, Byzantine ivory panels and a magnificent winged human-faced sphinx with a lion's body.

Ends May 2. Closed Mon

Museum Rieterberg: Fabrics from Egypt's Desert Sand: textile art from the 2nd century AD collected by Swiss jurist Maurice Bouvier, including

well-preserved illustrated fabrics from the coptic and early Islamic periods. Ends May 23. Closed Mon (Haus zum Kiel, Hirschgarten 20)

intense interest – not least by scholars eager to see how these hitherto heavily obscured works will measure up to the rest of Titian's oeuvre.

The exhibition opens with late Bellini and the early 16th century, followed by Giorgione and the

On the face of it, Jean-Luc Lagardère has shown amazing powers of recovery.

In the 1980s he managed to steer a bumpy path as chairman of two French groups with illustrious names but very little else in common: Matra, thrusting missile, electronics and transport equipment manufacturer, and Hachette, venerable and far-flung publishing empire. Mr Lagardère stayed in the driving seat as Matra was part nationalised and then denationalised. His enthusiasm for adventurous new business always raised eyebrows.

Some of his initiatives, such as a foray into watchmaking, misfired. But those flops were nothing compared with what was in store in the early 1990s, "the big accident" as Mr Lagardère calls it - Hachette's investment in the La Cinq television station, which folded last year, leaving the publishing group with an exposure of FF 3.5bn (£240m).

He has since succeeded in recapitalising Hachette, merging the two groups, still under his chairmanship, into Matra Hachette, and recasting the holding company, which is the combined group's main shareholder, in a way that makes his own position virtually unassailable.

Mr Lagardère is still the dashing entrepreneur with the permanent tan, starry-eyed about new technology. He is an outsider to France's mainstream political and business establishment, drawn from more elitist *grandes écoles* than the Ecole Supérieure d'Électricité where he graduated as an engineer. Matra, a postwar creation, has always been a *parvenu* on the French industrial scene.

But Mr Lagardère is now 64. It is 30 years since he joined Matra as managing director. He talks of younger generations of managers, of the "youths mat".

Above all, he is chastened by the past year's experience. He has promised no more long-shot ventures. "I am not going to make 20-year investments. You have to have your return sooner." He confesses that for the first time in his life he is giving top priority to profit. Flanked by a high-powered "group executive and strategic committee", he is trying to rebuild his credibility in a financial world of which he is deeply suspicious.

He confidently predicts a tripling of Matra Hachette's net profit by 1996, from last year's FF 350m to FF 1bn - although

After the accident

Jean-Luc Lagardère, chairman of Matra Hachette, talks to David Buchan and David White



Confident: Lagardère predicts tripling of net profit by 1996

that would still be less than 2 per cent of sales. By then, he says, "if it makes no more big acquisitions, it will wipe out its debts of FF 1bn. The merger will bring 'big reductions' in administrative staff in the group, which employs around 60,000. But, Mr Lagardère adds: "That is not something one boasts about."

To argue the logic of an industrial grouping ranging from airborne missiles to Elle magazine is something of an intellectual challenge. Defensively, Mr Lagardère cites the example of General Electric of the US, with its NBC television network. The activities of Matra and Hachette converge in the field of electronic media, a target for future investment. Both sides of the group serve a wide range of overseas markets. And people will take a company more seriously when it can show, as Matra Hachette does, annual sales of \$10bn.

For Mr Lagardère's critics this is sophistry, an attempt to portray the merger as something other than a rescue, a way of drawing on Matra's

cashflow to ease Hachette's debt burden. The merger prevented the need for a fire sale; it enabled Mr Lagardère, as the French say, to save the furniture.

Despite the television fiasco, he says he would have been in a position last year to sell control of Hachette for seven or eight times the price he paid when he took it over in 1980.

But Mr Lagardère is far too attached to his role as media mogul for that.

What the two sides of the group have in common are famous names. Its media interests range from *Woman's Day* magazine in the US to the Europe 1 radio station. Matra has always had prestige products, ranging from the Mistral, France's answer to the US Stinger portable missile, to automated metro systems.

For a time Matra also had a football club, Matra Racing de Paris, and in the 1960s and 1970s played a prominent part in Formula 1 racing, which Mr Lagardère says brought it "a fantastic image". It was in television that Mr

designed to be the heart of the matter lies in the urgent need to change the mind set and improve radically their business and technical competence in order to perform competitively and, indeed, to supply

to their own hungry markets.

The remark that such income will be used to covert Russia's military industries is also not new and is also pointless. I have worked in many defence factories in the former USSR over the past few years and can testify that, whatever is needed to convert them, it is not large sums of money to buy new equipment. They have a lot of adequate machine tools and up-to-date western and Japanese production equipment - much of it under-used, misused and some still in its original packing cases outside in the yards.

The remark that such income will be used to covert Russia's military industries is also not new and is also pointless. I have worked in many defence factories in the former USSR over the past few years and can testify that, whatever is needed to convert them, it is not large sums of money to buy new equipment. They have a lot of adequate machine tools and up-to-date western and Japanese production equipment - much of it under-used, misused and some still in its original packing cases outside in the yards.

Soviets, from Lenin onward, have had the illusion that salvation lies in new "technology". They treat it like a toy, whereas the heart of the matter lies in the urgent need to change the mind set and improve radically their business and technical competence in order to perform competitively and, indeed, to supply

to their own hungry markets.

Conversion of the defence industries depends on that first: without it investment will be wasted as it always has been in the communist command economy.

Alexander Kenna, 12 Farholme Crescent, Ashtead, Surrey KT21 2HN

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FINANCIAL TIMES

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Friday February 19 1993

Budget for the supply side

BRITAIN ISN'T working. Despite the rise in seasonally adjusted unemployment to just below 3m by mid-January, the Bank of England concluded in its Inflation Report out this week that the government's target range for inflation of 1 to 4 per cent is not secure. In any case, the question has never been whether a recession lasting nine quarters would lower inflation. The question is whether the UK can sustain non-inflationary growth. It is against this test that the Budget offered by the chancellor on March 16 needs to be judged.

What is needed is neither a Budget for business nor a Budget for jobs, but a Budget for the supply side as a whole. Such a Budget should not be designed to alleviate each and every business complaint. Nor can it be a Budget crammed with special incentives for supposedly worthy activities.

Macroeconomic stability should be at the heart of such a Budget. Instability leads to waste. The excessive investment in property development of the late 1980s was, for example, one fruit of the UK's long inflationary history. The government must offer a fiscal prospect that makes resort to inflation seem highly unlikely. Tax increases seem necessary. The sole alternative would be a dynamic recovery, combined with a credible programme of tight control of public spending. Either way the chancellor has no room for "giving" anything away. The only question is how much he will have to take.

No chance for reform

In view of this dismal background, comprehensive fiscal reform would create too many losers. But the fiscal predicament of the government also means that most of the many and varied pet schemes of business lobbyists – relief of surplus advance corporation tax, higher first-year capital allowances, faster depreciation, higher thresholds for corporation tax, exemption from taxes on long-term capital gains, tax relief for export promotion, higher VAT thresholds, lower uniform business rates and abolition of inheritance tax – are also unlikely to be adopted.

The lack of opportunity for reform is a pity, mostly because of the absence of any chance for

Fiscal butresses

On one point the Treasury should be firm. It is true that there is double taxation of corporate income earned abroad because ACT cannot be set against foreign corporation tax. But ACT is really just an income tax. It is far from clear that UK residents should not pay income tax on profits earned abroad by the companies they own. If the result is to lower the incentive for corporations to invest abroad, so be it.

In the last resort, however, tinkering with taxation is secondary. The government has taken the actions most needed by business, which were to lower interest rates and let the exchange rate depreciate. The principal function of this budget is, therefore, to provide the fiscal butresses for these changes in monetary policy.

The fate of business depends not on further fiscal hand-outs but on its will to control its own costs, the most important of which is for labour. With the underlying increase in average earnings down to 4 per cent, things are beginning to look encouraging at last. But control over pay must continue well into the recovery. The fate of businesses lies in its own hands and – given the long-term link between pay and jobs – so too does that of the 3m unemployed.

This is the fourth of a series of leaders on the March Budget.

Mr Kohl faces the squeeze

THE ECONOMIC reconstruction of east Germany remains a severe problem – for Germany, its neighbours, and the world. The German government is still far from bringing about a self-sustaining recovery in the east. Reunification-induced inflationary pressures have caused the Bundesbank to keep short-term interest rates high since 1991, depressing economies across Europe. The terms on which east German liabilities were converted in 1990, coupled with east Germans' desire for west German incomes, have much increased public financing needs.

East Germany has become the hole in the heart of the European economy. Unless repaired, the damage will spread. A long European recession would deliver the *coup de grâce* to the Maastricht process. Additionally, it could fatally undermine the Community's single market. Already it seems unlikely that Germany will fulfil the fiscal conditions set at Maastricht for economic and monetary union later in the decade.

Germany's slowdown has made corrective policies more difficult, yet more necessary. The Bonn government expects zero growth for Germany as a whole this year. The country has been living beyond its means. It now ranks seventh in the EC in terms of GDP per head.

The 3 per cent wage rise agreed earlier this month for public sector employees shows some willingness to tighten belts. Many large west German manufacturing companies have been made uncompetitive by excessive wage rises and the D-Mark's EMS revaluation. It would be realistic for workers in the west to prepare for several years of real wage stagnation.

Labour costs

East German unit labour costs are 80 per cent above the west German level. This has accelerated the industrial collapse east of the Elbe – a significant factor behind the demand for large transfers from Bonn. Solving the wage problem is an essential way of reducing the drain from east Germany on public finances.

Now that east German wage tariffs are 73 per cent of those in the west, any further catch-up can take place only over a long period. The preferable approach would be

to offer east German employers a wage subsidy to maintain employment at relatively low wages. If east German workers insist on maintaining the drive to equalise wages by 1994-95, Bonn must make clear its response will be to cut subsidies for depressed eastern industries. Unless wage costs are cut, the Treuhand's difficulties with privatisation will grow.

Budgetary cuts

Next, Bonn must extend its medium-term budgetary cuts. Expenditure reductions agreed so far do not match the need for radically overhauling spending priorities. Overall federal expenditure totals for 1993-94 are now 5 per cent higher than the finance ministry proposed last summer. And the government's budgetary arithmetic is based on highly optimistic assumptions about GDP growth after 1994.

The government must also tap additional revenue sources. Chancellor Helmut Kohl wants to delay further income tax increases until 1995. Holding back from a tax increase this year makes sense.

Ruling one out for 1994 does not. The government should also take a far more imaginative line over privatisation.

None of these suggestions is easy to enact. Reunification strains have eroded traditional German policy consensus. So far, the Bundesbank's international credibility has allowed Germany to finance very large borrowing at relatively low long-term interest rates. But, unless Germany takes adequate measures, the financial markets will demand corrective steps. Debt of the size now being acquired by the public sector represents a heavy mortgage.

Action will require an accord with the opposition Social Democrats, who, because of their majority in the Bundestag, have an effective veto over tax legislation.

Mr Kohl has been making heavy weather of trying to spread the burdens of unity through negotiations on his "solidarity pact". He must now recognise that room for manoeuvre, already small, could soon disappear. If Germany's economic imbalances persist, the clouds over Mr Kohl's own future will grow. But they will be small compared with the risk of storms over Europe.

Now that east German wage tariffs are 73 per cent of those in the west, any further catch-up can take place only over a long period. The preferable approach would be

President's search for the perfect wave

Jurek Martin examines Clinton's big political gamble

The most successful peacetime politicians catch the wave before it crests. Franklin Roosevelt and Ronald Reagan managed it at the beginning of their administrations, with very different policies at very different times. But it was an instinct not possessed by Jimmy Carter, whose declaration in 1977 of the "moral equivalent of war" on profligate energy use caught his nation in a pacifist mode, and George Bush, who, lacking "the vision thing", never saw what swamped him.

Bill Clinton, just one month in office, thinks he has seen the wave forming. Contrary to all the political evidence of the past 12 years, he is convinced that Americans are ready to reverse the self-indulgence of the 1980s by paying higher taxes in the greater cause of reducing the federal budget deficit and the national debt. He is also offering short-term stimulus, longer-term investment and bigger, if phased, cuts in spending than ever proposed by Mr Bush. But the headlines yesterday are all about where

the average American's wallet is going to be hit.

It is a big gamble and a larger political presumption. Mr Bush lost last November in good measure because he promised never to raise taxes and two years later changed his mind. Across the country those people who have trodden the same path have generally suffered.

In New Jersey, a good national microcosm, the Democrats lost control of the legislature because of opposition to the tax increases advanced by Governor Jim Florio. Even Senator Bill Bradley, the most popular politician in the state, nearly lost to a nobody in 1990 because of his association with Mr Florio. Out in California, where the tax revolt was born in the 1970s, Mr Pete Wilson, the Republican governor and reasonable presidential aspirant, has seen his stock plummet as a result of his determination to put the state's fiscal house in order.

And yet last November, as per

cent of the American public explicitly rejected the policies advanced by President Bush, which were that there was nothing chronically wrong with the nation that a naturally recovering economy, still lower taxes and a few gimmicks such as a balanced budget amendment could not cure.

In last year's campaign, Ross Perot, free of standard political constraints, had no compunction in demanding sacrifices by all, including higher taxes and more expensive energy. Mr Clinton, in pursuit of victory, may have fudged on the tax front but he had to take a stand on the budget. Both put forward cases for change on a serious scale.

Conventional political wisdom is that politicians rarely practice in office what they preach in campaign. Thus the dictum of Russell Long, the former senator from Louisiana – "don't tax you, don't tax me, tax that fellow, behind the tree" – was for Washington a safe recourse. The reflex political cri-

cism is that Mr Clinton, in taking it out of "you and me", has bought himself big trouble.

But political reflexes, even from Republicans, may be questioned in this strange era where public opinion is so influential but so subject to persuasion and manipulation. Knowing this, and sensibly trying to co-opt Mr Perot in advance, the Clinton team is giving his programme the hard sell in every corner of the country.

Like any good populist pitch, this campaign will have its villains. Borrowing again from Mr Reagan, who blamed his predecessor at every turn, Mr Clinton will constantly disparage Mr Bush's "failed" policies. He will copy Mr Perot and portray a Washington stuffed with high-paid lobbyists, all conspiring to preserve the status quo known as gridlock. He will conveniently forget that some of the most effective of them represent America's least affluent.

Just as 10 years ago Mr Reagan

seduced the "boll weevil" southern Democrats, so Mr Clinton will target key Republicans, because, if he cannot hold all his own party in line, he may need them. There are a fistful of senior moderate senators

– John Chafee, William Cohen, James Jeffords, John Danforth, Nancy Kassebaum, Richard Lugar, even Robert Dole – who do not necessarily dance to the music of Newt Gingrich, Jesse Helms and the rest of the conservative band. These moderates prefer to influence policy rather than denounce it and they just might cut some deals, especially on deficit reduction.

But it will be hard. Neither Washington nor the country at large has yet measured Mr Clinton's resolution. Some suspect he talks a better game – and on Wednesday he was very fine – than he plays and can fold under pressure. There are so many parts to his programme that he could well lose a couple of battles early and suddenly lose control of the war. The reverse may also be true. He is not only making waves, he may just have caught the big one.

Seismic shock to the economic landscape

Public investment and a heavier tax burden are the keynotes of the package, writes Michael Prowse

As an impassioned plea for a fundamental change in the nation's economic philosophy, President Bill Clinton's address to Congress may prove to be of historic significance. He argued, in effect, that Republican strategies emphasising incentives for individuals had failed and that the nation needed to follow a social democratic path, involving a greater emphasis on public investment and a fairer distribution of the tax burden.

Mr Clinton bucked recent fiscal trends by becoming the first leader of an advanced democracy to propose a big increase in the top rate of income tax – from 31 per cent to nearly 40 per cent for the richest families. Adding in state and local taxes, top earners will face an effective top rate of about 50 per cent. Most industrial countries have been striving to reduce top marginal rates in a bid to improve economic efficiency.

Although Mr Clinton deliberately targeted the rich, he raised taxes on the great bulk of American households – all families with incomes of more than \$30,000 a year – thus breaking one of his main campaign pledges. However, because a significant proportion of the tax will be used to increase public investment in infrastructure and education and training, Mr Clinton was not able to signal a wholly convincing reduction in the federal deficit.

By fiscal 1997, some five years into a business cycle upswing, Mr Clinton hopes to have reduced the deficit to slightly more than \$200bn, compared with nearly \$300bn today.

However, that still represents 2.7 per cent of gross domestic product, a significant drain on national savings at a point in the cycle when the budget ought to be close to balance, if not in surplus. Moreover, in all probability Congress will not accept all the proposed spending cuts and tax increases.

And as Mr Clinton rightly stressed, any hope of controlling the deficit in the longer term requires the enactment of effective controls on healthcare spending – a controversial issue on which a national consensus is as yet far from assured.

The economic plan reflects two of Mr Clinton's deepest convictions: a public sector-led switch from

consumption to investment is essential to revive long-term productivity growth and restore faith in the "American dream".

• Social solidarity is important for its own sake. Mr Clinton is telling affluent Americans that it is their duty to pay more taxes. He probably would have raised taxes on the rich even if he had not needed more revenue.

Yet recent economic figures are throwing doubt on the assumptions underlying the Clinton plan, which was conceived largely as a response to the perceived economic problems of the 1980s. Hearing his "call to economic arms", you might think the economy was still floundering in recession. In reality, the downturn ended nearly two years ago and the underlying annual rate of growth has accelerated to about 3 per cent. Business investment and profits are rebounding strongly.

Mr Clinton believes a switch from consumption to investment is essential

Jobs are admittedly not being created as fast as in previous recoveries. But the labour force is growing far less rapidly, reflecting the absorption of the "baby-boomer" bulge in the workforce. The unemployment rate has already fallen to 7.1 per cent from a peak of 7.7 per cent last year.

Productivity growth – the number one problem according to Mr Clinton – seems to be staging a spontaneous revival. Productivity increased by 2.7 per cent last year and at an annual rate of 4.0 per cent in the fourth quarter. These were the best figures for two decades. Efficiency gains are occurring throughout the economy, even in the sprawling services sector.

Against this economic backdrop, the Clinton plan looks flawed. With the economic numbers improving, it is hard to understand why Mr Clinton is determined to press ahead with a short-term fiscal stimulus package. Such a Keynesian boost to an already debt-laden economy was no part of his campaign strategy.

Mr Clinton may argue that considera-

tion to raise top rates of income and corporation taxes. This was certainly the easiest course. But he could have preserved economic incentives by attacking the tax concessions that favour the wealthy: for example, the tax deductibility of pensions, health premiums and mortgage interest costs, about \$150bn annually in lost revenue, which is nearly twice as much as rate increases are fully phased in.

He had to cut the deficit but he did not have to rely so heavily on increases in taxes. And having targeted taxes, he could have tried to broaden the tax base rather than raise tax rates.

The energy tax was a modest step in the right direction but it will raise only \$20bn a year when fully phased in. It is no substitute for stimulus or restraint. The attack on the deficit is long overdue but it means that Mr Clinton will be taking purchasing power out of the economy as his presidency progresses: he plans to raise taxes by about \$340bn over four years and make net spending cuts (after allowing for the boost to public investment) of about \$280bn. It seems naive to expect consumers and companies to react joyously to the immediate stimulus without taking account, today, of the "austerity package" planned for later.

The net effect of the package could thus be mildly deflationary, even allowing for some further decline in long bond yields. The risk of a negative impact on growth has been heightened by Mr Clinton's disregard for economic incentives.

He had to cut the deficit but he did not have to rely so heavily on increases in taxes. And having targeted taxes, he could have tried to broaden the tax base rather than raise tax rates.

Mr Clinton has been preaching

productivity gains are occurring throughout the economy, even in the sprawling services sector.

Old Etonian city gent like Lord Rockley, a vice-chairman, was the best bet to command the trust and confidence of the troops. But will he take the tough strategic decisions needed to restore Kleinwort to former glory?

Somehow, one suspects not.

OBSERVER

Bangemann bangs on

commissioners most biased in favour of their own narrow national interests. How did Bangemann respond? He thumbed through his favourite Oscar Wilde quotations, and took solace in: "To disagree with three-fourths of the British public on all points is one of the first elements of sanity – one of the deepest consolations in all moments of spiritual doubt."

For one example, take the charge that he is a would-be banner of German bangers, not to mention prawn-flavoured crisps. It is false. Take for another the complaint about his inauspicious delivery of strongly worded federalist speeches during the UK parliamentary seethings over Maastricht. That is true.

But whatever the complications, he is evidently not going to change his bruising bluntness where British sensibilities are concerned.

Wittiest the fluent English-speaker's response when pointedly asked during a press conference to favour UK television viewers with an English version of his comments on the impact of the EC's rescue package for the steel industry. No, he replied, he had already dealt with the topic in German.

There seems no hope of stinging him with criticism, such as the sort that emerged from a survey of 2,000 European industrialists, half of them from Britain. A majority named him, along with Jacques Delors, as the EC

commissioners most biased in favour of their own narrow national interests.

How did Bangemann respond? He thumbed through his favourite Oscar Wilde quotations, and took solace in: "To disagree with three-fourths of the British public on all points is one of the first elements of sanity – one of the deepest consolations in all moments of spiritual doubt."

Same again

It's hard to quibble about the calibre of the Bank of England's latest clutch of non-executive directors. Sir Jeremy Morse, recently retired chairman of Lloyds Bank, is one of Britain's best bankers. Sir Clive, Sir Clive Keswick is regarded as very sound.

How refreshing, too, to find a woman at last on the Court of the Bank of England, although Frances Heaton's appointment suggests that life at the Takeover Panel can't be all that busy at the moment.

Even so, the appointments do look a trifle incestuous. Morse and Keswick both learnt their trade at the same place – Glyn Mills & Co. Sir David Walker, one of the outgoing Bank directors, has joined the board of Morse's old firm Lloyds, and is expected to take his old job after a decent interval. Moreover, Walker is an old Treasury hand and so is Frances Heaton.

Perhaps the government could

busy helping to build up layers of fat that could block your arteries.

Second, according to US and Israeli researchers, the pernicious oxidation can be forestalled by taking phenolic flavonoids, which act as anti-oxidants.

Third – which the researchers suspect the French, at least, somehow know instinctively – a pleasant way of absorbing phenolic flavonoids is to drink a modicum of red wine. The goodness is not in the alcohol, however, but in its other ingredients.

Pay off

■ Every penny's now under scrutiny at Control Securities, what with newly revealed negative net assets of £31.8m as well as debts exceeding £250m. So the property company may well be regretting a certain £5,000 outlay in its last financial year.

David Peake, a member of the family and a banker, is handing over to Lord



FINANCIAL TIMES COMPANIES & MARKETS

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INSIDE

Gehe in pan-Europe takeover move

Gehe, the Stuttgart-based drugs wholesaler, announced a FF800 (\$144) per share agreed takeover offer for France's leading wholesaler, Officis Commerciale Pharmaceutique. The merger would create the largest European pharmaceuticals distribution business, with sales of around DM14bn (\$8.5bn). The deal would ease access to other markets in the European Community and eastern Europe. Page 16

Navistar cuts loss to \$5m

An increase in deliveries of trucks and diesel engines helped Chicago-based Navistar International, North America's largest truck manufacturer, trim its first-quarter loss to \$5m from a \$32m last time. Mr James Cotting (left), chairman, attributed the improvement to higher sales and reduced operating costs. Sales revenue at the company, formerly known as International Harvester, rose by 15 per cent to \$1.03bn. Page 17

Kleinwort Benson up 66%

Pre-tax profits at Kleinwort Benson, the UK merchant bank, recovered sharply in 1992 — up 66 per cent to \$46.3m (\$26.7m) — mainly because of a drop in bad debt provisions from £38m to £7m. Page 20

Wall Street

The US securities industry is confident this year will prove as profitable as 1992, when every record in the book fell before the Wall Street earnings juggernaut. But the main equity indices have stumbled, barely a week after soaring to record highs. And the heavy selling could prove a problem for securities firms if it presages a significant correction in equity prices. Page 18

Tel Aviv drops on allegations**Israel**

Shares fell heavily in Tel Aviv, the latest lurch in a 10-day slide as investors reacted to allegations that Israeli banks have been stoking the market. Depressed by worries that equities were overvalued, the 100 index plunged 5 per cent before regaining slightly. Remarks by former High Court judge, Mr Moche Belitsky, on Wednesday had raised the spectre of a disastrous 1983 share collapse. See Page 19

Rubber fails to bounce back

When trading in natural rubber became computerised on the Singapore commodity exchange last year, producers hoped prices might finally lift. But they remain low and a bitter argument rages between producing and consuming nations over support for the industry. Producers gripe that the pricing system is weighted in favour of tyre companies. Page 30

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Chief price changes yesterday

FRANKFURT (DM)			PARIS (FFP)		
Bielsa	593	+ 18	Air Liquide	774	+ 21
Albion	593	+ 18	Docks de France	441	+ 13
Hedlef Corp	380	+ 19	GTE-Europe	407	+ 12
Hochdel	1150	+ 12	Ray Intel	955	+ 30
Moritz	600	+ 10	Europetrol	580	- 10
Pofesa	420	- 12	Yankee	646	- 18
Sed Orlane	420	- 12	TONY (Yen)		
Statoil	481	+ 14	Rilane		
Merck	375	+ 14	Hansa	320	+ 20
Philips Mons	71	+ 12	Herta Textile	220	+ 10
Peñafiel	325	+ 12	Keim	325	+ 35
Gen Motors	381	+ 12	Levi Strauss	315	+ 45
Int'l Paper	942	+ 12	Med Sistec	705	+ 10
Schering-Plough	574	+ 14	Nito Koko	275	+ 30
New York prices at 12.30.					
LONDON (Pence)					
Bielsa	176	+ 21	Kingfisher	557	+ 38
Amerivest Int'l	176	+ 21	Knight Bourse	378	+ 17
Anglo TV	230	+ 17	Mitsui	492	+ 15
Blue Chip	227	+ 12	P & P	58	+ 4
Byvalas	215	+ 12	Ramo Oil	103	+ 11
Down Shipton	124	+ 5	Shapton	125	+ 5
Card	53	+ 7	Shaw	5	+ 1
Forward Group	141	+ 10	Shaw (19)	138	+ 9
Glaxo	144	+ 10	Portia	78	- 4
Gas A	100	+ 23	Cost Greeness	265	- 17
Gascom Tel	54	+ 7	Hodgkin	78	- 4
Inpham	109	+ 7	Rec Exco	55	- 8

RTZ makes \$470m move into US coal

By Kenneth Gooding, Mining Correspondent

RTZ, the world's biggest mining company, is moving into US coal with a \$470m agreed offer for Nerco, the floundering natural resources group 82 per cent owned by PacificCorp.

Nerco's profitable coal units will be merged with RTZ's US Kennecott copper and gold mining subsidiary but the Morgan Stanley investment bank will sell the oil and gas operations.

Nerco's gold and silver mining interests have been up for sale for some time. RTZ will look closely before deciding whether to go ahead with the disposal process already in place.

Nerco's net debt at the end of 1992 was \$622m and after the deal RTZ's gearing will rise to about 60 per cent from 35 per cent. Mr Robert Wilson, RTZ's chief executive, said: "We shall move promptly to achieve the planned asset disposals. Meanwhile, we expect this transaction to

enhance earnings even in 1993." PacificCorp has agreed to fund \$25m of the consideration and will be repaid from certain cost recoveries of Nerco.

Through its 49 per cent-owned associate, CRA, RTZ already has coal interests in Australia and Indonesia. Nerco owns two low-sulphur, open pit, steam coal mines in the Powder River Basin in Montana and Wyoming and has a 50 per cent stake in a third. It produced 16.6m tonnes in 1992 and has reserves totalling 560m

tonnes, and more than 60 per cent of production is secured by long-term contracts. Mr Wilson said demand for low-sulphur coal in the US was expected to grow by 2 per cent annually and material from Powder River was probably the lowest-cost in the world: about \$4 a tonne to mine.

RTZ's share price closed 6p down after the news at 64p, possibly because of market fears of a rights issue.

RTZ is offering \$12 for each Nerco share. At midday Nerco's

shares were up \$1.1 at \$11.1. The US company also announced a net loss of \$551m on revenues of \$572m after write-downs totalling \$714m. This left its net assets worth \$247m.

Mr Euan Worthington, head of the mining team at S G Warburg, said: "It looks like a very good deal — if you want that sort of deal. But should anyone be buying coal anywhere in the world, even reasonably high-quality coal?"

Lex, Page 14

Neil Buckley and Alice Rawsthorn report on the deal between Kingfisher and Darty
Takeover creates Europe-wide retailer

KINGFISHER, the UK retail group, yesterday agreed its £560m (\$800m) takeover of Darty, France's biggest electricals retailer, to create one of the largest non-food retailing groups in Europe.

The deal was welcomed in the City of London, with Kingfisher's shares closing up 30p at 557p. Kingfisher announced it would partly fund the deal with a £233m, one-for-seven, rights issue.

The deal values Darty at FF4.45bn (£790m). Kingfisher will pay for it with £207m cash, plus 6m Kingfisher shares, giving Darty shareholders a significant stake of between 10 and 12 per cent in Kingfisher. It will also take on debts of about £477m. Analysts were enthusiastic about the takeover. Mr John Richards of NatWest Securities said in the long term it offered the prospect of creating the first "major European power-retailer".

Sir Geoff Mulcahy, Kingfisher's chairman, said the deal would create a business "with the muscle to compete on a European basis".

The group is one of France's most profitable retailers but has come under pressure in recent years because of the burden of the FF47bn net debt left by its 1988 management buy-out from the Darty family and the increasing competitive state of the French retail sector. It saw sales slip from FF4.55bn to FF4.52bn in its last financial year to August 31 when pre-tax profits fell from FF1.085bn to FF1.07bn.

In the medium term, Darty intends to extend its operations outside France, at present restricted to a joint venture in Belgium with retailer New Vandemborre. Mr Francis said that "there are lots of other European countries where we'd like to be".

Kingfisher will also strengthen its balance sheet with a one-for-seven rights issue, at a price of 45p each. The issue will be in two stages, with a first instalment of 225p payable by March 15 irrespective of whether the takeover is completed. The second will only become payable if the takeover is approved.

That would take Kingfisher's gearing to 60 per cent, but Mr James Kerr Muir, finance director, said he expected the group's strong cashflow to enable this to be reduced by a "significant amount" in a "fairly short time".

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INTERNATIONAL COMPANIES AND FINANCE

Gehe deal to create leading European drug distributor

By Christopher Parkes
in Frankfurt

GEHE, a leading German drugs wholesaler, yesterday announced a FRf800 (\$144) per share agreed takeover offer for France's leading wholesaler, Office Commercial Pharmacaceutique.

The merger would create the largest European pharmaceuticals distribution business with sales of around DM14bn (\$8.5bn) a year. The two companies already have an alliance with AAH, the UK wholesaler. The deal would ease access to other markets in the European Community and eastern Europe, Gehe said yesterday.

The Stuttgart-based German group said it would go ahead with the takeover if it received

more than 50 per cent acceptances. It reserved the right to press on with the bid if this level were not reached.

After Schering, Gehe is Germany's second-biggest quoted drugs wholesaler, with annual sales of around DM5bn. In 1991, the last full year for which results are available, it made pre-tax profits of DM175m.

While wholesaling accounts for around half of group earnings, drugs manufacture provides a further 25 per cent, with the balance coming from various mail order activities. Although primarily confined to Germany, drugs distribution has recently been expanded into Poland.

Gehe developed its mail order businesses, specialising in office and warehousing

equipment and operating as far as the US, during the 1980s, when the drugs operations were affected by stagnating markets.

Manufacture, mainly of generic pharmaceutical products, has expanded recently. It was boosted after German unification by the acquisition of Jenapharm and a 60 per cent stake in Azupharma.

The group, which is controlled by the Haniel family, whose members account for 52 per cent of the shares, has benefited in the past two years from the effects of German unification. But it faces a squeeze from government plans to reduce health spending. These include price cuts for pharmaceuticals and prescription limi-

Italian engineer plans share issue

By Halg Simonian in Milan

FINMECCANICA, the Italian state-owned engineering group which is merging with some listed subsidiaries, has revealed moderate gains in 1992 sales and earnings and plans for a fundraising share issue.

The announcement came as shareholders of Finmeccanica's Alenia aerospace, Elsag-Bailey automation and Ansaldo engineering subsidiaries approved the merger proposals put forward last December.

Mr Fabiano Fabiani, Finmeccanica's managing director, said group net profits rose by 7.7 per cent to L182bn (\$121m) last year, while sales climbed 2.1 per cent to L11,300bn. Net debt climbed by 9.4 per cent to L5,320bn, while interest costs jumped to L450bn from L297bn in 1991, largely due to the sharp rise in interest rates in the second half of last year.

Finmeccanica unveiled plans to raise up to L891bn through a multi-tranche capital issue over the next year. The proceeds would come from issuing 307m new shares, with a nominal value of L1,000 each. The shares would carry a L1,500 premium, which could be altered up or down by L400 a share, depending on market conditions.

The Italian government has indicated it is ready to reduce its stake in Finmeccanica, owned through the IRI state holding company, to below 50 per cent, although no timetable has been set. Should all minority shareholders in Finmeccanica's subsidiaries accept the share swap linked to the merger, IRI's stake will fall to 36.6 per cent from 64.4 per cent.

The planned capital increase could dilute that further. IRI has said it will spend L483bn underwriting new Finmeccanica shares. Rights to any remaining stock will be ceded to a banking consortium, on terms yet to be revealed.

Mr Fabiani blamed the rise in Finmeccanica's net debts on the delays in payment from public-sector clients in Italy.

IT HAD been known for some time that Skandinaviska Enskilda Banken was in acute financial difficulty, but only yesterday did the full extent of the crisis become clear. The SKr5.3bn (\$711.6m) loss for 1992 dwarfed anything that analysts had expected.

The forecast of huge credit losses this year and next made the picture even bleaker. There was no surprise, therefore, that the government finally confirmed that the bank needed state support.

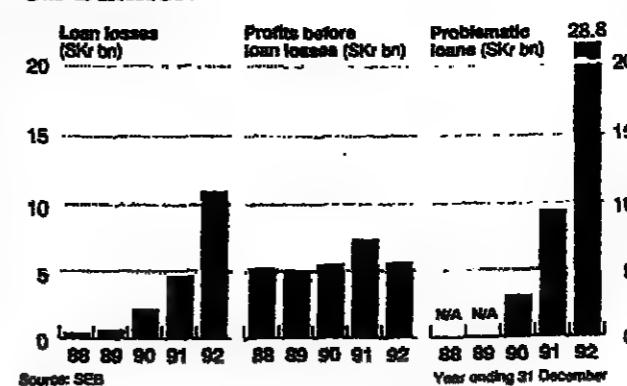
The revelations do much to bear out the accuracy of a current Swedish joke, which suggests that the difference between a good bank and a bad bank in the country is about six months.

For the speed at which the crisis has overtaken Sweden's most prestigious bank is stunning. A year ago, it made a SKr2.3bn profit. For the first four months of 1992 it recorded a SKr160m operating loss – its first deficit. After eight months, the loss had reached SKr2.5bn. But even this doubled in the final four months to reach yesterday's extraordinary total.

That things deteriorated so quickly owes as much to the boom of the late 1980s as to the recession that followed. The collapse in property values has been the single most important factor in the weakening of the Swedish banking system, and SE Banken is paying a heavy price for its exposure to a small number of big clients in the real estate sector – just 15 customers account for almost half of last year's SKr160m lending losses.

SE Banken's plight means that of the larger commercial banks, only Svenska Handels-

SE Banken



bank looks as if it has a realistic chance of surviving with cut state aid. The government has already put up SKr67.5bn to support three banks – Nordbanken, Gota Bank and Forsta Sparbanken – of which Nordbanken and Gota Bank are under state control.

Some analysts believe that only strong political objections will prevent SE Banken falling into state hands.

The problems at SE Banken are similar to those at banks the government already owns. But the government doesn't want to own any more banks and there is value in having more than one privately-owned bank," says one observer.

How much money the state puts up, and how much capital SE Banken can attract through its own efforts, are the key questions. Conservative estimates suggest at least SKr10bn will be needed to recapitalise the bank, although some say the eventual figure will be much higher.

The state expects SE Banken to do as much as possible to resolve its problems by raising new capital from private

The slide from difficulty to disaster

Christopher Brown-Humes on the crisis that has engulfed SE Banken

bank's profitable activities.

Many are waiting to see what role the Wallenberg family, Sweden's biggest corporate dynasty, might play in the outcome. The Wallenbergs' interests currently hold only 8 per cent of SE Banken's shares, but there has been speculation that this stake will increase as part of any reconstruction.

However, this would almost certainly force the group to dispose of other shareholdings. There has also been speculation that the Wallenbergs might sell their voting rights to a 39.6 per cent holding in SKF, the world's biggest roller-bearing manufacturer.

Last month SE Banken carried out a sweeping reorganisation, and it is likely that further moves will be made to cut costs further and to bolster the capital base. Such actions are likely to include staff cuts and disposals.

But these efforts alone are unlikely to solve the bank's difficulties without a broader upturn in the Swedish economy. There have been some positive developments – including a recent fall in interest rates and the devaluation of the krona – but the economy is still heading for another difficult year.

The finance department and the bank agree that Sweden's banking crisis will continue for at least another two years, with losses this year likely to equal those of last year.

"Most of the problems in the sector should have been dealt with by the end of next year," Mr Bo Lundgren, the taxation minister, said yesterday. For the moment, that is as optimistic an assessment as can be found of the prospects for an end to Sweden's banking crisis.

Kvaerner slips to Nkr932m due to losses in shipping and engineering

By Karen Fossel in Oslo

KVAERNER, the diversified Norwegian group with main interests in engineering, shipping and shipbuilding, registered a fall in 1992 pre-tax profit to Nkr932m (\$136.7m) from Nkr1.12bn a year earlier.

The weaker result was due to substantial losses by the group's mechanical engineering and shipping divisions. Shipping operations plunged last year from a Nkr1.15bn pre-tax profit in 1991 while mechanical engineering widened pre-tax losses to Nkr232m from Nkr1.5bn.

Shipbuilding, which accounted for nearly 80 per

cent of group profits, increased pre-tax profit by Nkr40m to Nkr735m last year.

Group net revenue rose to Nkr20bn from Nkr18.7bn in 1991, but operating costs increased to Nkr18.4bn from Nkr16.9bn.

Plastics suffered an operating loss of Nkr12m compared with a Nkr6m profit in 1991. The explosives division made progress in the US and Australia but profits fell in Scandinavia due to low construction activity.

Mr Leif Hoegh, one of Norway's biggest shipowners, yesterday revealed a sharp fall in 1992 net profit to Nkr173m from Nkr189m in 1991.

Group sales fell to Nkr7.5bn from Nkr7.7bn as Dyno experienced a "difficult year" in most

of its main markets, caused by pressure on prices and the sale of its construction machinery business.

Group operating profit rose by Nkr25m to Nkr229m and financial income improved by Nkr55m to Nkr212m.

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Bank may buy Spanish state ferry

By Peter Bruce in Madrid

BANCO Central Hispanoamericano (BCH), one of Spain's biggest commercial banks, is understood to be negotiating to buy the bulk of the Spanish state's 95 per cent stake in the Transmediterranea ferry company.

The government had wanted to include Transmediterranea

in a slew of part privatisations this year. The company has returned to profit in the past two years. Talks are said to centre on BCH taking about 60 per cent of the company.

This would cost the bank about Pta65bn (\$7.65m), based on the price of the 5 per cent of the company that trades in the Spanish markets.

• Spain's financial futures

exchange, the Barcelona-based MEF, said it would start trading its first individual share options on February 22, Reuter reports from Madrid.

It will start with Telefonica, Espanola and Endesa options, which have been running in simulated trading since February 2, and hopes to add Repsol and Banco Bilbao Vizcaya shortly.

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INTERNATIONAL COMPANIES AND FINANCE

Restructure scheme is unveiled by TWA

By Alan Friedman

TRANS World Airlines (TWA), the bankrupt and debt-laden US carrier, has presented its long-awaited reorganisation plan, in which it told a Delaware court it hoped to emerge from bankruptcy this spring.

The plan - presented by the airline and its official unsecured creditors' committee - provides for the elimination of about \$4bn in total claims against TWA. It calls for the distribution of new TWA common and preferred stock to the airline's creditors and employees and the issue of new debt securities.

Under the plan TWA's creditors would receive cash and new debt and equity securities. TWA employees would own 45 per cent of the common stock of the reorganised airline; the employees have agreed about 50c in wage and benefit cuts over a three-year period.

The remaining 55 per cent of common stock, as well as 100 per cent of preferred stock and new debt securities, would be distributed to various unsecured creditors.

Mr Glenn Zander and Mr Robin Wilson, TWA's co-chief executives, said the plan set the stage for the airline to emerge from bankruptcy ahead of the peak summer travel season.

They claimed it established the framework of a sound debt and capital structure under which TWA could return to profitability.

Mr Charles MacDonald, chairman of the creditors' committee, called the plan "a watershed event" and said that while negotiations would continue, the filing of the plan meant the main elements had won general acceptance.

The next step is expected to be a court hearing on TWA's statement, to be held soon. The plan cannot become effective without further bankruptcy court proceedings and acceptance by TWA creditors.

The plan's strategy includes shrinking TWA operations to eliminate unprofitable routes and reconfiguring the aircraft fleet.

Desjardins has third best year

CANADA'S biggest co-operative financial institution, the Quebec-based Mouvement des Caisses Desjardins, says 1992 proved its third best year in spite of the recession, higher loan loss provisions and commercial property problems at its affiliated trust company, writes Robert Gibbons in Montreal.

Desjardins operates nearly 1,500 retail banking branches, life and general insurance units and a wholesale banking operation. Net profits rose 18 per cent to C\$286m (US\$228m) from the year before. Assets rose 9 per cent to C\$61bn, well ahead of its Quebec rival, National Bank of Canada.

BankAmerica Corporation
Floating Rate Notes
Due February 1997

For the period from February 19, 1992 to May 19, 1993 the Notes will carry an interest rate of 3.585% per annum with an interest rate of US \$451.95 per US \$50,000 principal amount of Notes payable on May 16, 1993.

Agent Bank:
Bank of America N.Y. & S.A.
London

Navistar reduces loss to \$5m on improved sales

By Laurie Morse in Chicago

AN increase in deliveries of medium and heavy trucks and diesel engines helped Chicago-based Navistar International to trim its first-quarter loss to \$5m, or 5 cents per share, from last year's first-quarter deficit of \$32m, or 16 cents.

Mr James Cotting, chairman, attributed the improvement to higher sales and reduced operating costs.

Sales revenue at the company, which is north America's largest truck manufacturer formerly known as International Harvester, rose by 15 per cent to \$1.15bn in the quarter, up from \$902m a year earlier.

Much of Navistar's sales gains reflected a 15 per cent increase in retail deliveries, to 16,800 units in the quarter. Shipments of mid-range diesel engines to other truck manu-



James Cotting: Sales revenue advanced 15% to \$1.15bn

factures rose 18 per cent, and sales of replacement parts rose 6 per cent over the first quarter of 1992.

Navistar said orders for its trucks continued to be strong in the second quarter. As a

result, the company revised upwards its projections for north American medium and heavy truck sales. For 1993, it projects industry demand for medium trucks and school buses will reach 127,000 units, about 10 per cent higher than 1992. It is projecting heavy truck demand at 147,000 units in net profits for the last three months of 1992, to \$20m a year before.

Navistar is in the middle of talks with its unions to restructure healthcare and retirement costs. In January, Navistar employees represented by the United Auto Workers Union ratified a new labour agreement.

The company's long-term debt in its manufacturing operations, as a percentage of equity, rose to 33 per cent in the first quarter, up from 21 per cent in the same period of 1992.

TransAmerica pushed to record

By Patrick Harverson
in New York

TRANSAMERICA, the San Francisco-based financial services group, yesterday reported record fourth-quarter profits from continuing operations of \$36.5m, thanks to strong performances from its consumer lending, leasing, property services and life insurance operations.

The group's net income for the quarter, however, was only \$11.3m, after a \$7.5m provision for estimated losses from the disposal of a majority interest

in its property casualty insurance operations, which will be sold in the second quarter through an initial public offering of stock.

In the fourth quarter last year, TransAmerica incurred a loss of \$34.5m in the wake of a \$130m after-tax charge at its commercial lending unit.

For the full year 1992, TransAmerica reported net income of \$245m, up from \$60.1m in 1991. Excluding the provision for discontinued operations and investment gains, the group's earnings last year totalled a record \$387.8m.

Among TransAmerica's various businesses, earnings from the consumer lending operations set records for both the final quarter and year, while the commercial finance operation bounced back into profit after four quarters of losses in 1991.

The group's leasing operation reported a small increase in quarterly earnings, and profits at its property tax services business were at record levels.

On the insurance side, operating income from life insurance rose 25 per cent in the final quarter.

Loblaw slows fall in earnings

By Robert Gibbons
in Montreal

LOBLOU, Canada's biggest food distributor and controlled by the George Weston group, slowed a long slide in profits in the final quarter of the fiscal year ended January 2 1993.

However, food price wars in eastern Canada and the US continued and Loblaw took a special C\$10m (US\$7.90) charge to cover problems with a US subsidiary recently sold.

Fourth-quarter net profits fell to C\$38.5m from C\$32.5m, on revenues 18 per cent ahead at C\$2.4bn. Per-share publisher of the Toronto Star, Canada's biggest

daily newspaper, earned net profits of C\$45.8m or 38 cents a share, from C\$104.7m or C\$1.17. Revenues rose 8 per cent to C\$6.6bn.

Loblaw said it continued to improve market share and expected reasonable growth this year.

• Confederation Life, one of Canada's biggest insurers, has been hit by property woes. Net profits for 1992 fell to C\$1.9m, after C\$16.1m of special charges from C\$27.3m a year earlier. Revenues slipped by nearly 10 per cent to C\$3.9bn.

• Molson, the Canadian brewing and retailing group, plans to buy back up to 4.48m non-voting A shares and may propose a buy law to ensure that A stockholders would participate equally with the voting stock in case of a takeover. The buy-back will be financed with C\$100m received in a brewing deal with Miller of the US.

and real appreciation of the peso. Nearly half of Vitro's sales were in the US, making it particularly vulnerable to a strong peso and a weak US executive, said 1992 was "a complex period due to macroeconomic conditions", but said he hoped this year his company would consolidate dynamic growth, reduce the level of indebtedness, and improve productivity.

Vitro's margins fell particularly sharply in the US, in part due to operating difficulties with Anchor Glass, its US subsidiary. Exports, however, reached \$377m, an increase in dollar terms of 7.4 per cent.

Mr Ernesto Martens, chief

Schroders venture arm dilutes holding in Mitel

By Bernard Simon in Toronto

SCHRODER Ventures, the venture-capital arm of Schroders, the UK merchant bank, is to dilute its 51 per cent shareholding in Mitel through a public equity offering by the Canadian telephone equipment maker.

Mitel said yesterday that it was in the process of filing a prospectus for a common share issue underwritten by Scotia McLeod, Bland and Wailey and Wood Gundy.

The size and price of the offering will be determined in early March.

Mitel begins presentations to

Swedish purchase holds back Henkel's profits

By Ariane Genillard in Bonn

HENKEL, the German chemicals, cosmetics and household goods group, recorded a 10 per cent fall in profits last year, mainly due to the costs of restructuring and acquisitions.

Pre-tax profits for the year ended December 31, 1992, fell to "around DM400m" (US\$25m) while total sales rose by 9 per cent to DM14.1bn. Sales in Germany grew by 5 per cent and sales abroad rose by 16 per cent.

The group also suffered an undisclosed fall in the sales of chemicals products, which had been hard hit by the appreciation of the D-Mark against the dollar in 1992.

Turner TV empire drops 30% in final term

By Alan Friedman
in New York

TURNER Broadcasting System (TBS), the Atlanta-based cable television empire controlled by Mr Ted Turner, yesterday reported a 20 per cent decline in net profits for the last three months of 1992, to \$20m a year before.

Revenues in the 1992 fourth quarter rose to \$538m from \$402m a year before.

The company's full-year net income fell to \$78m from \$68m in 1991.

Consolidated revenues for the whole of 1992 were 20 per cent higher at \$1.77bn, while operating profits for the year declined slightly, to \$239m from \$257m in 1991.

TBS attributed the fall to special charges associated with the termination of operations for the Checkout Channel, a cable service used in supermarkets.

Without this charge TBS said operating profit for the whole of last year would have risen by 3 per cent to \$806m, while net profits for 1992 would have been \$94m.

The operating profit of CNN, Headline News and CNN International, the news channels, rose by 8 per cent in 1992, but the news division suffered an overall fall of 8 per cent to \$155m because of the Checkout Channel charges.

Revenues in the news division were 12 per cent higher at \$353m.

Operating profit for 1992 in the entertainment division were 19 per cent better at \$247m for the 12-month period.

Syndication and licensing revenues were 35 per cent improved in 1992 at \$252m, thanks largely to home video and theatrical revenues. However, the division suffered a \$18.7m loss, more than double the 1991 loss of \$8.5m.

The sports division produced \$11.2m of operating profits, up from \$1.3m in 1991.

Sports revenues were \$85.3m last year, compared to \$83.2m in 1991.

The Singapore office would

Whirlpool plans Asian expansion based in Singapore

By Andrew Baxter in Cologne

WHIRLPOOL, the world's largest white goods manufacturer, said yesterday it was setting up an Asian headquarters in Singapore to expand its presence in the sector's fastest growing region.

The move is important for Michigan-based Whirlpool's strategy to become the first global player in the white goods industry.

With our position in the US, Europe and Latin America, two-thirds of our strategy is in place. Asia is the one missing ingredient, said Mr David Whitwam, chairman and chief executive of the Domotronics appliances fair in Cologne.

Whirlpool has subsidiaries in several Asian countries: an office in Hong Kong that is developing its Chinese strategy and a manufacturing joint venture in India.

It is the largest western player in an Asian white goods market dominated by Japanese and Korean suppliers, but still has a market share of only 1 per cent, said Mr Whitwam.

He predicted that within two years the Asian market for white goods would be bigger than either western Europe or the US - where units sales were \$2m and 40m respectively last year for the seven main types of large appliance.

Unit sales in Asia would grow by an average 6 per cent to 8 per cent a year over the next few years, compared with an average 2 per cent to 3 per cent in Europe and the US, he said.

The Singapore office would

David Whitwam: 'Asia is the one missing ingredient'

David Whitwam: 'Asia is the one missing ingredient'

Bramalea creditors approve proposals

By Robert Gibbons

TWO leading groups of creditors of Bramalea, one of three property companies controlled by Edper-Hees of Toronto, have approved its planned financial restructuring.

The company expects other creditor groups to come into line, enabling it to emerge from bankruptcy protection and return to profitability in 1994.

The two creditor groups comprise mortgage holders owed C\$800m (US\$634.2m) and others with C\$1.5bn of claims against Bramalea secured income properties. The banks, owed C\$1.4bn, have approved the plan. The remaining creditor groups are to vote on the restructuring by this evening.

Bramalea, a North American property and land developer, plans to sell C\$2.3bn of assets in the next five years and exchange debt for equity. The assets include nine US shopping centres, as well as office buildings and shopping malls in Canada. This would reduce debt by half.

Trizec, a larger publicly-traded property company also controlled by Edper-Hees will see its interest in Bramalea fall from 70 per cent to 20 per cent, with the creditors taking effective control.

• Elan Energy, the former Lasmo Canada and fully independent from Lasmo, the UK energy group, is buying OMY Canada from OMY Gruppe of Austria for C\$180m. Elan has reserves of 26.5m barrels of oil and 75bn cu ft of natural gas, and has strong cashflow from production. Elan has developed its directional drilling techniques in western Canada, and has become a medium-size exploration, development and production group. It recently bought producing properties from Chevron, Imperial Oil and Petro-Canada. Oil production is running at about 30,000 b/d.

Lasmo sold its 65 per cent interest in Lasmo Canada last year in a public offer. Then Lasmo Canada changed its name to Elan Energy.

profitable business with sales of about FF1bn (\$183m) last year, forms part of its ongoing strategy of reducing its reliance on its declining traditional nuclear activities.

Framatome on Tuesday disclosed a fall in net profit to FF850m last year from FF950m in 1991 on sales down from FF14.2bn to FF12.5bn over the same period.

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INTERNATIONAL COMPANIES AND FINANCE

Records continue to tumble on Wall Street

Patrick Harverson on why this week's losses on equities were only a natural correction

SO FAR, 1993 has been good to the US securities industry, which is quietly confident that this year will prove as profitable as 1992, when every record in the book fell before the Wall Street earnings judgement.

Since the New Year, two of the main engines of profits growth for securities firms - brokerage commissions and underwriting revenues - have been firing strongly.

Trading volumes on the New York Stock Exchange and the Nasdaq electronic market have been running at extremely high levels, averaging 287m shares and 253m shares a day respectively. That is 32 per cent and 36 per cent more than in 1992, which was itself a record year for volume. When trading is busy, brokerage commissions blossom.

On the investment banking side, Wall Street houses continue to prosper. According to Securities Data in New York, during the first six weeks of this year new issues of straight corporate debt and equity (including initial public offerings of stock) totalled \$65.6bn, compared with \$55.6bn in the same period of 1992.

With underwriting business currently running ahead of 1992 - a year when all previous records for securities issuance were shattered - Wall Street's investment bankers are working in top gear, and earning fees to match.

The third engine of earnings growth is trading profits, and here the picture is less bright in the wake of recent setbacks in the equity markets, triggered by President Clinton's planned tax increases.

The profits firms earn from trading their own positions are

US domestic capital-raising issues in 1992	
Manager	\$bn
Merrill Lynch	91.0
Goldman Sachs	64.8
Lehman Brothers	52.5
Morgan Stanley	43.0
First Boston	35.8
Salomon Brothers	27.5
JP Morgan	9.2
Kidder, Peabody	8.3
Bear, Stearns	7.8
Donaldson, Lufkin	7.4

Source: S&P Information Services

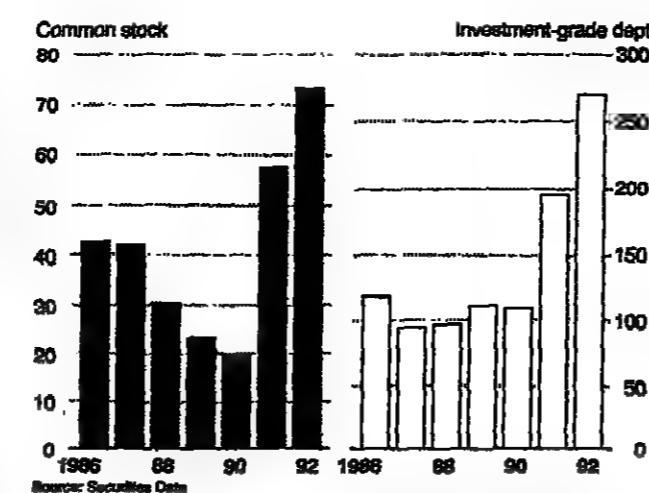
driven by the direction of markets. And, while bond prices have remained strong - thanks to low inflation, cuts in the size of government bond issues and confidence in President Clinton's ability to reduce the huge Federal deficit - the main equity indices have stumbled, barely a week after soaring to record highs.

The heavy selling of the past few days could prove a problem for securities firms if it presages a significant correction in equity prices. As Mr John Keefe, of Keefe Worldwide Information Services, explains: "When the market is down, it hurts trading profits because brokers cannot escape their long positions. And, if prices keep going down, people will leave the market."

The latter is the scenario that Wall Street fears most. A feature of the industry's boom has been the return of the individual investor to the stock market, which has had a positive knock-on effect on almost every line of business.

It has boosted brokerage commissions, lifted trading profits by keeping prices buoyant; fuelled strong growth in

Volume of new US Issues



Source: Securities Data

firms' revenues from asset management, because individuals have been entrusting more of their money to professional managers; and provided a huge pool of capital to invest in new corporate stock, thus keeping the underwriters busy.

Few Wall Street economists, however, are predicting the stock market will nosedive this year. The run-up in prices two weeks ago was based on confidence in the economic and business outlook. The subsequent downturn was disappointment at the President's plans for tax increases, which investors fear could retard growth.

Hence this week's losses were viewed as a natural correction that is unlikely to turn into a rout. Most forecasters expect the Dow Jones Industrial Average and the Standard & Poor's 500 to end 1993 with solid gains for the year.

Wall Street is also confident

that the flows of investor capital into equities will not dry up. Interest rates remain at 30-year lows, which means investors will move their money out of poor-yielding short-term assets, like cash and money-market funds, and into more speculative but higher-yielding assets, like stocks.

Unless interest rates rise sharply this year, funds are likely to continue to pour into the equity markets. This will keep commissions buoyant and help sustain growth in the fee-based revenues securities firms earn from managing customers' assets - a relatively new area of business that Wall Street firms have been building up in recent years as a protection against more volatile trading-related revenues.

Low interest rates are also good for securities firms in other ways. First, they keep the underwriters busy. In the past two years, US companies eager to take advantage of low

borrowing rates, have been issuing new debt in record amounts. They have also been issuing record amounts of new equity because of strong stock markets and heavy demand from investors.

Second, rates keep down the cost of the industry's raw material - capital. The big firms are particularly good at leveraging that capital and using it to make big profits from proprietary trading. Moreover, if the spread between short and long-term rates remains wide this year, as it has for the past 18 months, then Wall Street will continue to reap profits from borrowing short and lending long.

Much, therefore, depends on the interest rate environment remaining favourable. Although rates will probably rise this year as economic growth improves, President Clinton's planned tax increases, coupled with his relatively tough stance on cutting the deficit, plus low inflation, should keep interest rates at levels that are still low by recent historical standards.

While the overall outlook for the securities industry is bright, at least one leading firm faces a rocky road. In the recent batch of fourth-quarter 1992 results, Shearson Lehman Brothers stood out with a large loss, incurred in the wake of write-downs for litigation and souring property investments.

The problems at Shearson, however, go deeper than possible legal action and ill-judged past investments. The firm's costs, especially its employee compensation payments, have been growing faster than revenues.

South China Morning Post lags at mid-term

By Simon Davies

in Hong Kong

SOUTH China Morning Post Holdings, part of Mr Rupert Murdoch's News Corporation which publishes Hong Kong's leading English language newspaper, has reported slower first-half profits but plans to pay an unchanged interim dividend.

Net profit for the six months to ended December fell to \$HK39.8m (US\$49.2m), a 5 per cent decline from the \$HK26.7m recorded in 1991. The interim dividend is being held at 6 cents a share.

The profits decline was a result of the acquisition of loss-making Chinese language newspaper Wah Kiu Yat Po. An additional factor was a substantially increased tax bill, due to the company having had fully utilised tax losses that had resulted in minimal tax over the previous five years.

Tax increased from \$HK7,000 to \$HK14.8m, but the company predicted that net profit for the full year would exceed the 1992 level.

After years of inactivity, the publishing group recently signed up a \$HK500m deal to sell its premises in Quarry Bay to Swire Pacific, moving its printing and distribution operations to the New Territories.

The company has also purchased a 15 per cent stake in the Bangkok Post in Thailand, while it is currently endeavouring to turn around the ailing Wah Kiu Yat Po.

© Kong Wah Holdings, the Hong Kong consumer electronics group, has ventured into China's container port development through a joint venture with a Shenzhen-based concern, AF-DJ reports from Hong Kong. The venture, Shenzhen Harbour City Industrial Development, will have an initial capital of about 160m yuan (US\$27.7m). It will develop container terminals and a warehouse complex in the development zone.

The Chinese partner is Nanhai Oil Shenzhen Development and Service.

rise in beer sales to Y1.32bn and a 84.5 per cent jump in pharmaceutical sales to Y18.6bn contributed to the overall sales rise.

Kirin said it would be introducing a new brand called Nippon Blend. Japan's brewers face increasing pressure to produce a number of new brews each year and are now seeing competition from imported brands.

This year, Kirin expects pre-tax profits to rise 0.3 per cent to Y8.8bn on a 3.2 per cent rise in sales to Y1.10bn.

The brewer warns that increased losses on financial items would depress profits. Annual capital spending is expected to rise 15.2 per cent to Y96bn.

Kirin Brewery sees profits fall despite sales rise

By Emiko Terazawa in Tokyo

KIRIN BREWERY, Japan's largest food and beverage company, reported a rise in 1992 sales thanks mainly to its premium beer, Ichiban Shiroki, but posted a fall in non-consolidated profits.

Pre-tax profits fell 4.3 per cent to Y82.7bn (US\$89m), despite a 3.8 per cent rise in sales to Y1.365bn. Kirin said sales of its core businesses, including beer and pharmaceuticals, showed a firm increase.

After-tax profits improved by 2.2 per cent to Y37.5bn.

Kirin's balance on financial items fell by Y8.8bn, due to a decline in interest income and a Y900bn loss on its stock holdings. However, a 3.4 per cent

Sparebanken reduces its losses to Nkr169m

By Karen Fossli in Oslo

Nkr1.3bn, from Nkr502m in 1991.

SPAREBANKEN NOR, Norway's biggest savings bank known internationally as Union Bank of Norway, yesterday announced a significant reduction to Nkr169m (\$24.5m) in pre-tax losses for 1992, from Nkr1.03bn a year earlier.

The bank said it would make a loss for 1993 but that this would show another substantial reduction. Last year, Sparebanken Nor improved its capital adequacy to 9.2 per cent of risk-weighted assets, from 6 per cent in 1991.

The bank said that the past year had seen reduced demand and tougher competition.

© Alufab Arab International Bank (AAIB) returned to profit in 1992 after heavy losses in the previous two years caused by the Gulf crisis, Reuter reports from Manama. The Bahrain-based offshore bank said net profit was \$512,000, compared with losses of \$27.3m in 1991 and \$64.5m in 1990.

AAIB, now part of the Libyan Arab Foreign Bank group, has used its entire paid-up capital and reserves to write-off accumulated losses.

Malaysia's UMW falls back 34%

By Kieran Cooke

in Kuala Lumpur

UMW HOLDINGS, one of Malaysia's biggest motor vehicle assemblers and heavy equipment distributors, has announced a 34 per cent drop in pre-tax profits to M\$137.8m (US\$52m) for 1992.

UMW says government mea-

sures to curb consumer spending and control inflation, particularly restrictions on hire-purchase agreements, caused a sharp drop in vehicle sales and profits.

UMW says vehicle sales are likely to pick up with the recent lifting of some of these restrictions.

UMW, the listed subsidiary

Genting invests in Subic Bay

By Kieran Cooke

GENTING, the Malaysian conglomerate with a minority stake in Lonrho of the UK, is one of a group of Malaysian companies planning to invest nearly US\$100m in recreation facilities at Subic Bay, the former US naval base in the Philippines.

Genting and Resorts World, a sister company, will be lead investors in developing a 400-room hotel, a golf course, a casino and various other entertainment facilities at Subic.

In the year to December 1991, most of Genting's pre-tax profits of M\$851.5m (US\$221m) came from Malaysia's only

casino, outside Kuala Lumpur.

NOTICE UNDER SECTION 11(2) OF THE ELECTRICITY ACT 1989

The Director General of Electricity Supply (hereafter referred to as "the Director") pursuant to section 11(2) of the Electricity Act 1989 (c.29) (hereafter referred to as "the Act") hereby gives notice as follows:

(1) He proposes to make modifications to Condition 4, 4A, 4C and 4E (being part of the charge restriction conditions) of the licence which has been granted under section 6(1)(b) of the Act to The National Grid Company plc ("the licensee");

(2) The reasons why he proposes to make the modifications and their effect were published by the Director in a statement on 7 July 1992;

(3) in summary the effect of the modifications will be to amend the relevant Conditions in relation to the year commencing on 1 April 1993 and subsequent years by providing:

(i) predetermined values for "system maximum ACS demand";

(ii) that the Retail Price Index element of the price control formula should be calculated on a previous year basis;

(rather than an estimate of the current year) and averaged over six months;

(iii) that Xg means three;

(iv) that in the price control formula, Pt-1 for the year 1993/4 should be fixed at £21,496; and

(v) that the date on which the licensee can next require a review of the price control provisions should be 31 March 1997.

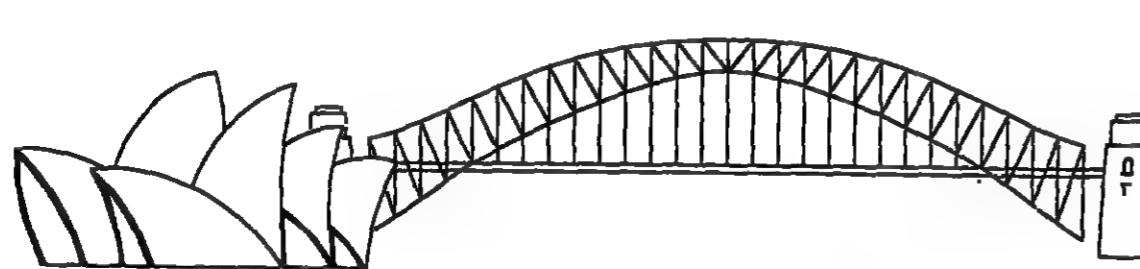
A copy of the statement of 7 July and of the current draft of the modifications can be obtained (free of charge) from the Office of Electricity Regulation.

Any representations or objections to the proposed modifications may be made on or before 23 March 1993 to the Director at the Office of Electricity Regulation, Hagley House, 83-85 Hagley Road, Edgbaston, Birmingham B16 8QG.

Dr E C Marshall
Authorised on behalf of the
Director General of Electricity Supply
19 February 1993

NINTH WORLD MEAT CONGRESS

SYDNEY AUSTRALIA 13-16 APRIL 1993



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FINANCIAL TIMES
MAGAZINES

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U.S. \$100,000,000

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Guaranteed as to payment of principal and interest by

THE SAKURA BANK, LIMITED

For the three month period from 18th February, 1993 to 18th May, 1993 the Notes will bear interest at the rate of 6.625 per cent, per annum.

The Coupon amount per US\$1,000 Note will be US\$1.03,55 payable on 18th May, 1993.

The Mitsubishi Bank Limited London Branch As Agent Bank

Bankers Trust Company, London Agent Bank

Brewery
profits fall
Sales rise

FINANCIAL TIMES FRIDAY FEBRUARY 19 1993

INTERNATIONAL CAPITAL MARKETS

Strong demand for Sweden's \$2bn global offering

By Antonia Sharpe

THE STREAM of large international issues continued yesterday as the Kingdom of Sweden launched its \$2bn, 10-year global offering to strong demand.

Meanwhile, Toyota Motor Corp announced that it planned to raise \$1.5bn through a five-year offering early next week in what would be the largest corporate deal yet seen in the Eurobond market.

Toyota's offering is expected to be priced to yield around 40 basis points above comparable US Treasuries, which syndicate managers said was fair value in view of the car manufacturer's triple A rating and its scarily A rating in the market.

The proposed yield is close to that on Toyota's \$1bn five-year Eurobond which was launched last May, the biggest corporate issue currently.

The flood of issues fanned rumour yesterday that a big UK corporate utility or a Scandinavian sovereign was sounding the market for a possible sterling-denominated Eurobond.

INTERNATIONAL BONDS

ing to pay 40 basis points above the 6% per cent US Treasury due 2003, well below the indicated range of 42-45 basis points. This suggested that the deal would be priced at the lower end of the range.

The current fashion of global deals is expected to continue during the next few weeks and the Republic of Italy is said to be considering a dollar global offering.

The World Bank's \$200bn global offering, launched on Wednesday, was priced at 25 basis points over the

benchmark Japanese government bond No 145 yesterday. This was at the lower end of the indicated range of 27 to 28 basis points and in line with expectations.

The World Bank also took advantage of investor demand for high-yielding debt instruments by issuing the Eurobond market's first floating rate note based on the yield on 10-year US Treasury bonds. This contrasts with other recent note issues with minimum and maximum coupon levels, which have been tied to short-term interest rates.

An official at Lehman Brothers International, which arranged the \$100m five-year note for the World Bank, said that this type of note was attractive to investors who believed that the US yield curve would remain steep or flatten only gradually.

The note was issued at par to yield 50 per cent of the US Federal Reserve's Constant Maturity Treasury plus 145 basis points. The CMT reflects the average blend of 10-year US Treasuries, currently at 6.29 per cent.

The minimum coupon on the notes is 4.5 per cent, which compares with three-month dollar Libor of 3.25 per cent, and the maximum is 25 per cent. By late yesterday, the bonds had not been freed to trade.

Lehman Brothers also provided the market's other colourful issue, a \$125m five-year

offering for the Mexican company, Gruma, the world's largest tortilla manufacturer. Gruma generates \$300m annually in the US.

The bonds were priced to yield 46 basis points above the 5% per cent US Treasuries due 1998, in the middle of the indicated range of 430-455 basis points.

An official at Lehman said that price was chosen so that both the issuer and the investors could share the impact of the rise in the underlying US bond prices yesterday.

She added that the yield was close to that of other dollar-denominated Mexican corporate paper.

Kuwaitis concede serious damage from KIO row

By Peter Bruce in Madrid

THE KUWAITI authorities have for the first time conceded that the row surrounding investments by the Kuwait Investment Office (KIO) in Spain is seriously damaging the emirate's standing in international credit markets.

Mr Abdullah al-Gabandi, the head of the Kuwait Investment Authority (KIA), the KIO's controlling body, told a group of Spanish journalists in Kuwait said Kuwaitis were "furious" about what had happened in Spain, pointedly did not accuse the former KIO management of illegalities. Instead, he said the KIA's investment guidelines had been ignored. The KIO should have contracted an institution and not Mr de la Rosa to run its affairs in Spain.

The loss of image provoked by the KIO case and the way it has been treated makes it difficult to obtain credits and those that are available would be very expensive," Mr al-Gabandi was quoted as saying.

The KIA negotiated a \$5.5bn loan for Kuwait soon after the war that ended the Iraqi invasion in 1991. But after new managers took over the KIO last May they quickly became involved in a vicious and public row over what they alleged was \$5bn lost by their predecessors in risky investments in Spain. Bankers in London said yesterday the row had "inevitably" undermined the emirate's position in debt markets.

There are few signs of the row subsiding although two attempts to bring criminal charges against former managers of the KIO and its Spanish operations have been rebuffed this year by the Spanish

courts for lack of evidence.

The new KIO management says it is determined to continue pursuing Sheikh Fahad al-Sabah, the former KIO chairman, Mr Fouad Jaffar, his former general manager, and Mr Javier de la Rosa, the former manager of their Spanish operations, for alleged fraud.

While this effort will keep the affair public, it appears increasingly to have Kuwaiti political rather than legal objectives. Mr al-Gabandi, who said Kuwaitis were "furious" about what had happened in Spain, pointedly did not accuse the former KIO management of illegalities. Instead, he said the KIA's investment guidelines had been ignored. The KIO should have contracted an institution and not Mr de la Rosa to run its affairs in Spain.

These remarks reflect the marked differences of opinion now emerging from Kuwait on just how the KIO's Spanish debacle should be concluded. The new KIO management currently responds directly to the finance minister and is being encouraged to keep up public pressure on the former KIO management.

In contrast, Mr al-Gabandi appears to favour an internal, less public, settlement which would in effect shift Kuwait's sensitive finances away from public scrutiny.

The desirability of the KIA taking control of all of the KIO's direct investments overseas has been canvassed inside Kuwait in recent weeks.

Transaction tax opposed

US SECURITIES exchanges are responding aggressively to US budget proposals that would impose transaction taxes on securities and derivatives markets, writes Laurie Morse in Chicago. US futures and securities exchanges, as well as the Futures Industry Association and the Securities Industry Association are banding together to fight the proposal.

"We're opposed to industry-specific taxes," said a spokesman for the Chicago Mercantile Exchange. "They could put us at a competitive disadvantage internationally, and they could hamper our liquidity."

Congressman Mr Daniel Rosenthal said in a letter to the Treasury Secretary, that while such taxes may be perceived as a tax on the wealthy, the burden "ultimately will fall on the millions of middle-class pension fund beneficiaries and small investors".

Treasuries rise across the board amid heavy buying

By Patrick Harverson
in New York and Tracy Corrigan in London

THE US Treasury market yesterday responded enthusiastically to President Clinton's economic plan, with prices rising sharply across the board.

GOVERNMENT BONDS

and heavy domestic and foreign buying.

By midday the benchmark 30-year government bond was up 31 at 101.41, yielding 7.034 per cent. At the short end of the market, the two-year note was up 14 at 100.05, to yield 2.966 per cent.

The State of the Union address on Wednesday night was well received by bond investors, who believe that the deficit-cutting part of the president's economic plan, in particular the tax increases and selective spending cuts, stands a reasonable chance of passing through

Congress almost intact. Before the speech some investors had worried that the package would lack credibility, but bond market analysts said that Mr Clinton's forthright account of the economic troubles facing the country, and his outline of the solutions, convinced investors that deficit reduction can work, and that the planned tax increases will be implemented.

The latter is doubly positive for the Treasury market because higher taxes could slow the rate of economic growth and subdue inflation.

Bond prices rose strongly despite economic news that was bearish for the market. The day's statistics included a 19,000 drop in weekly jobless claims, a larger-than-expected 0.5 per cent increase in January consumer prices, and a 0.4 per cent rise in January industrial output.

■ BETTER-than-expected UK jobs data prompted little enthusiasm in the gilt market yesterday, where prices

ended virtually unchanged.

The number of unemployed rose by 22,100 in January, keeping the seasonally adjusted total just below the 3m level.

The Bank of England's first inflation report earlier this week has also dented sentiment by suggesting that an early interest cut is not on the cards, dealers said.

On the London International Financial Futures and Options Exchange, the long gilt future ended at 102.27, down 4 from Wednesday's close, and off earlier highs.

However, the two top stocks announced on Tuesday after-

noon were partly sold yesterday, dealers said.

■ GERMAN government bonds firmed slightly yesterday, on market speculation that money supply data due early next week will be positive for the bond market. This would mean improved prospects for further interest rate cuts.

■ JAPANESE government bonds continued to rally on strong investor demand, but came off the highs of the day as investors took profits. The recent rally in Japanese government bonds has been

helped by the strengthening of the yen against the US dollar.

The June futures contract opened at 109.84 and traded up to a high of 110.15 before ending at 109.96.

■ ITALIAN bonds ended lower

due to further political uncertainty, after the Liberal party threatened to leave the coalition government. On Liffe, the March BTP ended 19 basis points lower at 96.93 and was poised to test the next support level at 95.70, some said.

man for the Chicago Mercantile Exchange. "They could put us at a competitive disadvantage internationally, and they could hamper our liquidity."

Congressman Mr Daniel Rosenthal said in a letter to the Treasury Secretary, that while such taxes may be perceived as a tax on the wealthy, the burden "ultimately will fall on the millions of middle-class pension fund beneficiaries and small investors".

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Latest prices at 7.20pm on February 18

US DOLLAR STRAIGHTS

Yield

STRRAIGHTS

Yield

COMPANY NEWS: UK

Advance to £46.3m helped by cut in bad debt provisions to £7m Kleinwort Benson ahead 66%

By Robert Peston,
Banking Editor

KLEINWORT Benson's pre-tax profits recovered sharply in 1992, mainly because of a drop in bad debt provisions from £29m to £7m.

The merchant banking group also disclosed that Mr David Peake, its chairman, would retire at the next annual meeting on April 28, to be replaced by Lord Rockley, currently a vice chairman.

Profits of the merchant banking group increased 66 per cent to £46.3m. However, after-tax profits rose by only 10 per cent to £21.3m because Kleinwort was forced to take an exceptional tax charge of £13.6m in its profit and loss account as an adjustment to the accrued tax losses it carries in its balance sheet.

Mr Jonathan Agnew, Klein-

wort's chief executive, insisted that the exceptional tax charge was an accounting nicety: "It has no economic effect on us."

The charge related to financial transactions carried out by Kleinwort in 1988 with the purpose of generating tax losses. It then included these assets in its balance sheet as an asset.

In preparing the latest accounts, Kleinwort re-examined the transactions and decided the losses should be removed from the balance sheet.

However, Mr Agnew said that Kleinwort would still be able to benefit from the losses by reducing the tax it pays in future. The losses were now a contingent off-balance sheet.

The growth in 1992 pre-tax profits was held back by a £10m charge to cover the costs

of the group's surplus office space in the UK and the US.

The merchant banking and securities division pushed up profits from £24.7m to £38m, while the investment management and private banking division suffered a small drop from £24.4m to £22.1m.

Within the merchant banking and securities operations, Kleinwort's Japanese securities business made a loss and there was also a drop in profits from the corporate finance department, which is the traditional heart of the group.

There were sharp profit increases in the treasury operations and the financing business.

The proposed final dividend is maintained at 10.7p, giving an unchanged total for the year of 16p.

Earnings per share, exclu-

ding the exceptional tax charge, increased from 14.3p to 26.6p.

Mr Peake, 58, said he had been thinking about retiring "for some months", but other board members were putting no pressure on him to go.

He preferred to go now, to allow Lord Rockley, who is a few months older than him, to do the job for a few years.

Lord Rockley is seen by Kleinwort executives as chairman for a transitional period, while the next generation of senior Kleinwort executives acquire more experience.

However, some Kleinwort executives said they were slightly surprised that Mr Peake had not been replaced by Mr Simon Robertson, 51, who was appointed deputy chairman last year.

See Observer

Control Securities' shareholders funds deficit

By Maggie Urry

CONTROL SECURITIES, the property and leisure group, said yesterday that a further write-down of property values and other exceptional costs totalling £68.4m, had left the company with a deficit on shareholders' funds of £31.6m.

It called an extraordinary meeting for March 17 to ask shareholders to support the board's continued discussions with banks, bondholders and creditors. The shares have been suspended since October 1991.

Mr Sydney Robin, chairman, said that the group's "complex and delicate" restructuring was taking "considerably longer than had been anticipated". He said there were still some significant issues to be resolved.

However, he said that holders of the group's SF1200m (£92m) of bonds would be offered equity in place of a quarter of the principal amount and a new repayment date on the rest of 2000. The two issues, each of SF100m, have maturities in 1994 and 1995.

Banks which lent to Control Securities have security over the group's assets and are not expected to swap any debt for equity. Control Securities is also negotiating with Bass, the leisure group, from which it bought some Spanish hotels in 1989. Bass was due to receive a final instalment of £11m last September, but has not yet been paid.

The group announced interim results, for the period to September 30, showing trading profits slightly lower at £17.2m (£17.7m) on sales 11 per cent higher at £56.2m.

However, interest charges of £1.2m (£1.8m) and the exceptional costs left losses of £6.5m before tax (£9.4m).

The net loss was £6.1m or 16.7p a share (profit £2.1m and earnings per share of 5.6p).

Earnings per share increased by 16 per cent from 16.7p to 24.9p, while earnings per ADR rose 17 per cent to 68 cents (68 cents).

The dividend is an improved 7.6p.

Ward loses £5m as purchaser confidence sags

Ward Holdings, the house-builder and property group, blamed the severe recession for a pre-tax loss of £2.2m after exceptional charges of £2.07m for the year to October 31.

This compares with a deficit of £14m after exceptional charges of £12.2m, relating to the write-down in the value of the land bank.

Turnover remained static at £28.7m.

The final dividend is passed again – there was no interim. Losses per share were 8.8p (9.1p).

Although Ward sold 10 per cent more houses than in the previous year, it said there had been a further loss of house purchaser confidence. This was due to falling house prices, increases in unemployment and business failures, and exceptionally high levels of house repossessions and mortgage repayment arrears.

The company was unable to dispose of certain investment property to reduce its gearing.

It blamed the "disappointing delay" on prospective purchasers failing to complete after agreeing terms.

Agreement has been reached with its banks to extend its syndicate loans through to May 31 1994.

See Observer

Banks want to maintain Mirror's Labour stance

By Andrew Bolger
and Robert Peston

THE FOUR banks which are majority shareholders in Mirror Group Newspapers said yesterday that they would be "very concerned" if the political stance of the newspaper were altered from its tradition of supporting the Labour Party.

National Westminster, Midland, Goldman Sachs and Lloyds have indicated that they would become more actively involved in MGN's affairs if they feared that the business was becoming unstable as a result of editorial changes.

The banks' comments come against the background of criticism of MGN from the Labour Party, following the resignation this week of Mr Alastair Campbell, the Daily Mirror's political editor.

Meanwhile, MGN last night denied that there was a boardroom rift over Mr Campbell's departure, which has also attracted criticism from Mirror journalists.

Mr Charles Wilson, MGN's editorial director, said there was no split between Lord Hollick, the Labour peer, and Mr David Montgomery, brought in last October to become MGN's chief executive.

Lord Hollick, chairman of the media and finance group MAI and Meridian, the new television station in the south of England, has rejected recent reports that he wants control of MGN. He declined to comment yesterday.

Mr Wilson said: "Lord Hollick is in a difficult position as a member of the Labour Party and a peer. He's with people at

Westminster who are having their concerns agitated by elements within the Mirror – and I don't mean at boardroom level."

He added: "There is absolutely no indication at all that this paper is drifting away from the Labour Party. We still support the Labour Party."

The future of the former Maxwell newspaper group lies in the hands of the four banks, whose 54 per cent stake is held by administrator Mr John Talbot of Arthur Andersen.

The banks are communicating their views to the MGN board through Mr Talbot.

They received the shares as security for loans. Yesterday the shares closed 2p higher at 105p, valuing the group at £430m.

The figures compared with a

1991 flotation price of 125p, when the group had a market capitalisation of £500m.

MGN's shares resumed trading last July at 53p, but have climbed steadily since October as investors have been attracted by the cost-savings which Mr Montgomery pledged to make.

However, analysts said they would be concerned if the new management team's actions threatened MGN's valuable franchise on the left of the political spectrum.

More than 150 Labour MPs signed a Commons motion criticising Mr Montgomery's approach following the resignation of Mr Campbell.

Mirror journalists called for the resignation of Mr Montgomery and blamed him for the paper's continuing fall in circulation.

Mr Wilson said: "Lord Hollick is in a difficult position as a member of the Labour Party and a peer. He's with people at

Takeover Panel poised to freeze Airtours bid timetable

By Richard Gourlay

THE TAKEOVER Panel is likely either today or on Monday to freeze the timetable of Airtours' hostile £215m bid for Owners Abroad, its rival tour group.

Owners Abroad would have

had to produce its final Day 39 defence document on Monday, but the Office of Fair Trading has yet to forward its recommendation to the trade and industry secretary as to whether the bid should be referred to the Monopolies and Mergers Commission.

In the event that the bid is referred, the offer will lapse; if the bid were not referred, Owners Abroad would normally

have two days to produce its defence after the trade secretary delivered his ruling.

Removal of the threat of an MMC referral would refocus shareholder attention on the value of Airtours share offer and partial cash alternative.

It would also throw a spotlight back to the intentions of Thomas Cook, which is controlled by West Deutsche Landesbank, the German state bank which has large interests in the travel industry.

Thomas Cook's proposed tie-up with Owners Abroad, in which it would have made a net £2m injection of cash in return for a 10 per cent stake in Owners Abroad, had been put on hold until after share-

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total for last year
Alumasc	Int 3.7	Apr 15	3.56	-	11
Eng & Overseas	nil		0.5	nil	1
Glaxo	Int 7	Apr 30	8	17	17
Kleinwort Benson	Int 10.7	Mar 10	10.7	18	18
Leslie Wiss	Int 2.25	Apr 15	2.25	4	4

Dividends shown pence per share net except where otherwise stated.

BOARD MEETINGS

FUTURE DATES	
Barclays	Mar. 26
Barrett Developments	Mar. 26
Dorling Kindersley	Mar. 26
Global Emerging Markets	Mar. 26
Goodwin	Mar. 26
Paramount	Mar. 26
Plumb	Mar. 26
BBCC	Mar. 26
Hawker Inv.	Mar. 26

Today

Intertel

Barclays Amalgamated Smaller Enterprises Trust

Fidelity European Values, Fidelity, Gurney, United

Investment Trust, Pegasus, Transocean, United

Planations, Yachmen Inv Tr St

Mar. 26

0 maintain
our stance

Proceeds of rights issue will be used to fund acquisitions Gold Greenlees calls for £15m

By Andrew Adonis

GOLD GREENLEES Trott, the marketing services group, is raising about £14.7m net in a rights issue to fund acquisitions.

The 1-for-3 issue of up to 6.45m shares is priced at 23p. The shares shed 12p yesterday to close at 23p.

Proceeds of the rights, a rarity in the depressed advertising sector, are to be used for acquisitions planned in the next six to nine months.

Before allowing for the issue, net debt was forecast to be about £14m by the April year-end. GGT has negative net assets.

Analysts believe the company is looking to acquire small agencies with a European focus, either as subsidiaries or partners, in a move to balance its growing activities in the US.

At 24.5p, GGT's pre-tax profits forecast for this year would be £900,000 up on last year (excluding exceptional profits), but well below 1992's £7.6m.

Last year's total dividend was 8.3p, with earnings per

share of 17.26p. The company's dividend forecast for this year is also 8.3p.

The rights issue is GGT's first for five years. It used its 1988 call to buy Martin-Wiliams, a Minneapolis agency, as part of an expansion strategy in the US Midwest and south-west.

US earnings last year accounted for half of GGT's gross profits. Among its clients are Coca-Cola, Red Rock cider, Holsten Pils and Cadbury Schweppes.

Mr Michael Greenlees, chairman, said: "Unlike Saatchi's and WPP, we have not gone in for five-year earn-outs, but have paid for purchases over 18 months or less. I want to continue on that basis."

Mr Vignesh Padichetty, media analyst at BZW, said the issue was likely to be well supported by shareholders. "GGT is performing strongly in the US - with margins of 30 per cent against a sector average of 8 per cent - and there is plenty of recovery potential in the UK."

Mr Greenlees said he saw "considerable room for growth" in existing businesses, not least GGT's non-advertising (mainly marketing) activities in the UK, which last year accounted for nearly half of



Michael Greenlees: purchases paid for over 18 months or less

total UK earnings. The rights issue has been fully underwritten by Kleinwort Benson.

SWP edges ahead to £42,000

SWP Group recovered slightly in the six months to December with pre-tax profits of £42,000, against a previous £31,000.

In the second half of the year to June 30 1992 the USM-quoted supplier of components to the construction industry fell into losses.

Mr Robert Stickings, chairman, said trading conditions were extremely depressed and the fall in the value of the pound had increased costs.

He added that there had been a modest increase in activity in recent weeks, but prospects for the second half were still difficult to assess.

Turnover improved to £3.7m (23.65m) for operating profits of £138,000 (£28,000). Interest paid rose to £84,000 (28,000).

Earnings per share were unchanged at 0.1p.

Sinclair Goldsmith in merger talks

The board of Sinclair Goldsmith Holdings, the surveyor, estate agent and ratings consultant, yesterday confirmed that it was in talks regarding a possible merger with Conrad Rithiat, another estate agency.

The shares were suspended at 35p yesterday. This followed a sharp rise over the past week - early last week the shares stood at 20p.

Sinclair Goldsmith reported reduced pre-tax losses of £655,000 (£397,000) in the year to May 31 1992, on turnover down 11 per cent at £2.77m.

The final dividend was omitted leaving a total of 0.6p (2p).

Forward makes £1.7m purchase

Forward Group has bought the business and training assets of Central Circuits Group, a specialist maker and designer of printed circuit boards, from the administrative receivers. Consideration was £1.7m.

A new company, Forward Circuits (Telford), will operate from Central's existing premises in Telford.

Leslie Wise falls to £2.5m as increased costs hit margins

By Jane Fuller

INCREASED COSTS, following sterling's devaluation, cut margins at Leslie Wise Group.

Pre-tax profits at the textiles concern fell 12 per cent, from £2.82m to £2.52m, in the year to November 30 in spite of a 20 per cent increase in turnover to £48.7m.

Mr Neil Wise, who took over as chairman at the turn of the year following the death of his father Leslie, said sales had risen from start-up operations and from exports. Overseas sales were ahead 30 per cent at 28.9m.

Mr Wise said the cost of materials bought in dollars or D-Marks had risen by up to 25 per cent. Negotiations with suppliers and switching the country of supply would ameliorate the situation. The price increases passed on to customers might amount to 10 per cent.

Bad debts, including one arising from Berkers' insolvency, totalled nearly £150,000 and the

closure of two out of seven start-up design companies cost a similar amount.

He said bankers to smaller private companies, "who have normally been supportive, are acting mercilessly".

If such a string of short-term problems could be avoided this year, margins could be rebuilt.

Operating profit was just over 2 per cent down at £2.84m. Interest costs rose to £221,000 (251,000). Debt was increased by £470,000 of final deferred payments on acquisitions dating back to 1988-89. Year-end gearing stood at 40 per cent on shareholders' funds of about £7m.

Leslie Wise supplies retail groups such as Burton and Etam. Mr Wise said there were glimmers of hope of high street recovery but what was needed was a sustained period of buoyant trading.

The final dividend is held at 2.26p to give an unchanged total of 4p. Earnings per share slipped to 4.96p (5.5p).

VW to control importing of Skodas

By John Griffiths

VOLKSWAGEN yesterday took full control of the import and distribution of Czech-built Skoda cars in the UK, following an agreement which ends months of friction with the previous Czech-owned importer.

The agreement between Volkswagen-controlled Skoda UK and Skoda (GB), which had imported the cars for more than 20 years, releases the 222-strong dealer network from contractual obligations to Skoda (GB), allowing them to enter contracts in January. In particular, it was anxious to operate on the VW

company's behalf, the import and preparation centre at Kings Lynn, which had employed more than 100 people.

Skoda Automobile UK has opted instead to import the vehicles through Southampton, which handles imports of cars built by SEAT of Spain and also controlled by Volkswagen.

Skoda (GB) had been refusing to release dealers from their contracts while it sought a role as sub-contractor to Skoda Automobile UK, which appointed itself as the official importer/distributor in January. In particular, it was anxious to operate on the VW

English & Overseas Properties reduces loss

ENGLISH & OVERSEAS Properties cut pre-tax losses from £2.32m to £1.07m in 1992, after charging exceptional items of £982,000, against £2.45m, a sizeable part of which was provided at the half year.

As indicated at the interim stage, there is no dividend (1p). Losses per share came out at 2.89p (14.24p).

Mr Jim Clark, chairman, said the company had taken steps to reorganise its capital and reserves. Progress had been encouraging with one outstanding matter to be resolved before the company could apply for court and shareholder approval.

He said legal advice received indicated that such a reorganisation should be successful, particularly as E&OP's trade creditors were minimal and the cash position was still strong at £4.7m.

Entering 1993 with the majority of its properties let and substantial cash balances available for new investment, Mr Clark said medium term growth prospects were encouraging.

Mr Clark said opportunities to acquire companies and properties where E&OP could add value were increasing and he believed 1993 could be the "window of opportunity" for such acquisitions.

Shield reaches new agreement on banking

SHIELD GROUP, the estate agency and property company, has reached agreement with one of its bankers.

The bank has agreed to assign to Shield liabilities comprising loans, overdrafts and accrued interest totalling £448,000, owed by certain dormant subsidiaries, in return for £50,000.

The effect is that group pre-tax profits for the year ended March 31 1993 and net assets at that date will be increased by £598,000.

Mr Nicholas Warinner Brown has acquired 300,000 ordinary shares (3.11 per cent) in the company.

New man and cash call plan at Cupid

By Jane Fuller

THE FORTUNES of Cupid, the loss-making bridal wear company, are being revived by a new man at the top and by £1.5m of new money.

Wheway shareholders are being offered one McLeod share for every 10.

McLeod's shares yesterday fell 2p to 100p; Wheway's rose 11p to 9p. The offer values each Wheway share at 10p.

The two companies have been in talks since last September. However, McLeod decided to go hostile after failing to reach agreement on price.

His aims include expanding Cupid into lingerie and possibly changing its name to help slough off a chequered reputation in the City.

About £1.25m will be raised in the 4-for-3 issue, at 25p a share. Other new shares have been subscribed for by groups of individual investors, including the Shaw family with 4.2 per cent of the enlarged equity and a Guernsey couple called Cairns with 8.5 per cent.

It was also reported that losses for the year to March 31 could total £1.5m, compared with a £867,000 pre-tax profit last year. Early last summer, before the last rights issue, pre-tax profit forecasts were in the £1.5m to £1.7m range.

Cupid's share price, which fell to 35p last week when losses were predicted, had already started to recover on hopes of new investment and new management direction. It gained another 7p to 59p yesterday.

Mr Shaw said post-interest losses were about £800,000.

In the nursery division, two factories had been closed. The head office was also being sold and the operation transferred to the Blackburn factory.

The exceptional costs of these moves, plus pay-offs to former and departing directors, accounted for the remaining £790,000 of expected losses. Mr Michael Murray, the founder, and his wife Sue, also a director, received £160,000 when they departed in December - alongside a profits warning.

Mr Richard Lee, who has been chairman and chief executive in the interim, is also leaving.

is a generous offer and we can't wait any longer."

Wheway responded by urging its shareholders to take no action. Mr Brian Long, who was recently appointed chief executive, said: "We need more time to reflect on possible alternatives."

He made it clear that the company wanted to merge with a "robust partner", but first wanted to see if it could get a better deal for shareholders.

The company is already talking to other interested parties about a possible merger.

Wheway, in need of refinancing after its costly move out of heavy engineering, last year turned in a £3.6m loss after making a £3.8m pre-tax profit the previous year.

Its share price has fallen

from more than 140p in 1989 to its current level of 5p.

At the year-end its net borrowings were £16.3m, giving gearing of more than 105 per cent.

McLeod, which has a 2.99 per cent stake in Wheway, increased its pre-tax profit from £4.2m to £5.18m for the year to September 30.

It said an enlarged group would benefit from a rationalisation of costs and the development of Wheway's clean air and environmental engineering businesses.

The enlarged group, on a pro forma basis, would have had a combined annual turnover of more than £230m.

Pro forma combined net assets and borrowings would have amounted to £57.4m and £52.2m respectively.

McLeod Russel launches hostile bid for Wheway

By Roland Rudd

MCLEOD RUSSEL HOLDINGS, the paints producer and distributor, yesterday launched a £1.5m hostile bid for Wheway, the struggling environmental engineering group.

Wheway shareholders are being offered one McLeod share for every 10.

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Alumasc restricted to £3.8m by reliance on organic growth

By Paul Cheeswright,
Midlands Correspondent

GROWTH AT ALUMASC, the Kettering-based beer kegs, building products and precision components group, slowed in the first half as pre-tax profits rose by just 3.2 per cent from £3.65m to £3.77m.

In the last full year profits advanced 23 per cent.

Without contributions from the new acquisitions that characterised 1991-92, Alumasc's

dependent during the six months to December 31 on organic growth and hence was more susceptible to the weakness of the economy.

Turnover improved to £24.3m against £23.6m. Earnings per share rose to 16.5p (15.8p) and the interim dividend is increased from 8.5p to 9.7p.

The group's financial position remains stable and Mr John McCall, chairman, said it continued to seek acquisitions. Net cash balances rose by £1.6m to £4.9m, producing interest of £148,000.

However, demand for beer kegs stabilised after a fall during the previous year.

Volume fell slightly in the precision components business, although customers have been placing dies with the company, a prelude to future orders.

The group's financial position remains stable and Mr John McCall, chairman, said it continued to seek acquisitions. Net cash balances rose by £1.6m to £4.9m, producing interest of £148,000.

Mr Peter Walsh, director and general manager, said Alumasc's provisioning policy had been "very prudent".

Chelsea Building Society tumbles 49%

By John Gapper,
Banking Correspondent

THE IMPACT of the slump in the south of England housing market on southern building societies was shown yesterday when Chelsea Building Society disclosed a 49 per cent fall to £4.1m in pre-tax profits for 1992.

The society's results are expected to be among the worst reported for last year, although large falls are also expected to be disclosed by the Bristol & West and Cheltenham & Gloucester societies over the next month.

Chelsea's fall in profits, from £8.1m in 1991, was caused by a 60 per cent increase to 237m (£23.7m) in provisions for bad and doubtful

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Contractors' qualification - Preliminary notice -

RECRUITMENT

JOBS: Denmark's premier is not the only Scandinavian to take Machiavellian manoeuvres seriously

"YOU wouldn't expect a managerial revolution to start in Scandinavia, but this could be it," the *Jobs* column remarked to its partner Bill Hall. He just went on tapping his keyboard and peering at his screen. But I wasn't to be deterred.

"You've surely seen the story about Denmark's new premier training his cabinet by making them read *Yes, Minister* scripts?" I persisted... and seemingly got through. "Printed it two weeks back," said Bill, best known for his *Observer* column on the FT's centre pages, then he added with scarcely a pause:

"What I want to know is why your announcement says your chief executive left amicably when the buzz is he's taken the cash reserves with him, not to mention the chairman's wife" - or some such words, which took me back until I saw what had happened. In the brief interval, he had put on his telephone headset and begun talking over his tapping to someone else afar off.

His feit at first reminded me of the northern machinist's retort when work-study experts ordered him to operate with both hands at once: "Aye, and if you stick yon broom-handle up my back-side, I'll sweep t'floor as well."

The real lessons of 'Yes, Minister'

My second thought was to give up the struggle of internal communications and beg the ear of my readers instead. After all, it's external communications that are the hub of the managerial revolution which Scandinavian developments might spark.

While it is admitted hard to credit that a Dane would take lessons from a Swede, such would appear to have occurred. For the Danish Social Democrat premier Poul Nyrup Rasmussen is not the first Nordic eminence to twig that the *Yes, Minister* television series - whose manipulations of elected leaders by cunning bureaucrats are usually just laughed at as satirical comedy - is underpinned by something serious indeed.

The same fact was seen before-hand by Sweden's Nils Brunsson, professor of management at the Stockholm School of Economics. What awakened him to the point, though, was not just watching the telly, but the findings of rigorous research.

Accordingly, while he would agree that top bosses can learn

much from *Yes, Minister* scripts, he'd go farther. In his view, the dangers of being manipulated from below are such that it takes exceptional humility as well as intelligence on the bosses' part to pick out the right lessons, even though they are noted in his book *The Organisation of Hypocrisy*, discussed in this corner of the FT in September 1991.

For the benefit of readers not around then, however, I'd better repeat that he thinks the said dangers are rooted in the growing need for the heads of companies, let alone countries, to pay heed to external communications. And oddly enough, an illustration arose the other day when partner Hall kindly invited me to a post-toll hobnob with colleagues who cover stock market events.

During the chat, up came the Queens Moat company which, several of us agreed, is certainly no less good than the rival group Forte when it comes to managing hotels. So why, someone asked, have Queens Moat's shares failed

*John Wiley, £17.95.

to stand up on the market as well as those of its bigger competitor. One reason put forward was that, in contrast to Queens Moat, Forte puts much high-level energy into its relations with investment interests, not least in gently preparing them for glitches.

Even so, keeping the share market sweet is merely a small part of the multiplying demand on companies of appreciable size to woo the approval of influential outsiders. Others include a welter of variegated pressure groups together with local, national and even supranational "bureaucracies" such as the European Community.

Hence, Professor Brunsson says, jollying along influence-wielders is increasingly becoming a full-time job which, of its nature, must largely be done by high-ranked people. Moreover, besides being potentially at least as decisive, the work involved in external communications differs from that of internally managing an organisation.

Dealing successfully with the outside bodies mainly falls into the realm of politics, which

means that upper-rank jobs call more and more for political skills in handling the mechanics of human interests, ambitions and alliances, and the multifarious calculations of same. Although political skills are also useful in managing internally, it takes a markedly different ability to handle the mechanics of making, marketing and delivering goods and services which people will think it worthwhile to buy.

The result is a division of skills between the externally focused top tiers of management and the internally centred ranks lower down. True, by comparison with heads of government, chiefs of companies are usually more closely acquainted what they're supposed to run. But thanks to fast changing technologies and markets, they are hard-pressed to keep up with developments in the methods by which their outfit's living is earned.

Nils Brunsson therefore argues that the division of skills is likely to widen, with the chiefs of large organisations ever less capable of knowing what can, let alone what should be done below.

The dilemma is that the selfsame chiefs are viewed as responsible for said doing by the equally decisive external interests. So what, if anything, can be done about it?

Where answers are concerned,

is where the need for humility as well as intelligence comes in.

Certainly such chiefs must take decisions; that's what the outside stakeholders expect of their job. But chiefs should recognise that what they decide will not necessarily or even usually be put into effect and still more so that attempts to force strict obedience are apt to spawn damaging resistance.

After all, their best ally in their external dealings is a set of technically expert supporters concentrating on keeping the organisation doing what it's best at. So the chiefs should ensure the decisions they take are supportive of that same end. One example Professor Brunsson cites is decisions to do something already being done.

Most importantly, externally focused chiefs should never become involved in the detailed implementation of what they demand, and still less show their approval or the opposite by rewarding or punishing those held responsible. The reason is that, if they do, their most expert underlings will stop concentrating on productive work and start playing internal politics.

Michael Dixon

Senior F/X Dealer International Bank

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Futures and Options Exchange

CREDIT ANALYST Merchant Banking

Morgan Grenfell, the London-based international merchant banking and investment management group has a leading reputation for combining innovation with risk control. Credit Analysis is key to our banking and trading activities and the Credit Analyst is presented with a series of varied and demanding challenges reflecting the number and nature of the Bank's products.

It is in this area that we are now seeking an experienced individual to join a small but high-profile team.

You should have a good degree together with at least 3-5 years' Banking experience including, preferably, a good understanding of corporate

credit, treasury and capital markets instruments and structured banking products. Numerate, articulate and a self-starter with an outgoing personality, you should also possess good communication skills and an ability to present yourself well at all levels.

This position will provide an excellent platform for the many career development opportunities available within Morgan Grenfell. There will be an attractive remuneration and benefits package.

Please apply in writing, including your curriculum vitae, to Gill Nash, Personnel Department, Morgan Grenfell & Co. Limited, 23 Great Winchester Street, London EC2P 2AX.

MORGAN GRENFELL

"Good market positioning leads to fewer competitors for new work, higher margins and easier sales"

KIDSONS IMPEY MARKETING CONSULTING & FINANCIAL TIMES INVITE YOU TO A FREE HALF DAY PRACTICAL SEMINAR HOW TO REPOSITION YOUR BUSINESS TO WIN NEW CUSTOMERS

LONDON

Tuesday 16 March

Tuesday 2 March - Wednesday 10 March

Kidsons Impey Marketing Consulting is a specialist group within Kidsons Impey dedicated to improving the effectiveness of clients' business through more powerful market positioning. The seminars are designed to give Managing Directors controlling medium sized businesses the maximum benefit with the minimum intrusion into their working week. The morning will involve presentations and extensive use of real life case studies drawn from companies with whom we are working to

If you wish to attend one of the free seminars, please write or ring the appropriate Kidsons Impey Marketing Consulting office below.

KIDSONS IMPEY
Marketing Consulting

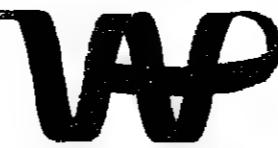
KIDSONS IMPEY
Marketing Consulting

John in L10

Manager
Settlement Regulation
City
£35,000 + Car
+ Benefits



London STOCK EXCHANGE



The settlement services provided by the London Stock Exchange serve investors, companies and the financial industry to safeguard London's position as Europe's leading financial centre. They are currently undergoing radical change with the introduction of Taurus, the new system for registration and electronic transfer of shares.

As a result of these changes, the Settlement Regulation department is seeking to recruit a qualified accountant into this dynamic and changing environment. You will manage a small team responsible for the regulation of organisations participating both in Taurus and the Exchange's other settlement services.

Working closely with company auditors, you will need to interpret and ensure compliance with rules and regulations, placing particular emphasis on technical and procedural requirements. You will be directly responsible for Taurus monitoring systems including the definition and authorization of requirement specifications.

Results orientated and able to work under pressure, you will have at least three years' post qualification experience with proven management ability. You will need excellent personal qualities and communication skills to deal with the wide variety of internal and external clients. Computer audit experience and a knowledge of the securities industry would be a distinct advantage.

In return for your achievements we offer a competitive salary and generous benefit package.

For further information in the strictest confidence contact Jonathan Jones or Brian Hamill on 071-287 6285 (evenings and weekends 081-464 0922). Alternatively, forward a curriculum vitae to our London office quoting Ref: J1 400. Agencies are requested to deal with Walker Hamill. Direct applicants will not be considered.

WALKER HAMILL
Financial Recruitment Consultants

29-30 Kingly Street
London W1R 5LB

Tel: 071 287 6285

Fax: 071 287 6270

TRAX Sales Executives

£Negotiable + Banking Benefits

The International Securities Market Association (ISMA) is a self-regulatory organisation responsible for the maintenance of professional standards, stability and order in the international securities market.

In 1989 ISMA launched TRAX. TRAX is a real-time, screen-based trade confirmation and risk management system. Designed principally for the international securities market, it has recently been enhanced to accept every type of security, including equities.

Currently used by over 260 subscribers worldwide, ISMA is now seeking to appoint Sales Executives at all levels to further promote the use of the TRAX system within the professional, institutional and fund management areas. Some overseas travel is envisaged.

Successful candidates will have proven sales experience in the financial services field. Fluency in a European language would be an advantage.

An attractive remuneration package, including mortgage subsidy, is being offered for these newly created positions.

Please write enclosing full C.V. to:
Stella Deans
International Securities Market Association
Ltd.
Seven Limehouse
London
E14 9NQ



INVESTMENT EXECUTIVES

REPORT

3I
INVESTORS
IN
INDUSTRY

3I is Britain's largest investment capital company. Through our network of 18 offices nationwide, we provide the capital to help companies of all shapes and sizes and in all sectors of industry and commerce to grow and change. The capital we invest in any transaction ranges from tens of thousands of pounds to many millions.

We bring special benefits to the companies in which we invest. We take a long term view, giving managers the freedom to manage as they see fit, but we also protect our investments by providing help and guidance where needed, through the support of Investment Executives.

Your challenge will be negotiating, facilitating and monitoring a range of investments from company start-ups to management buy-outs. The work is not only fascinating but it has a direct influence on the country's economic recovery. You will also be

involved in promoting 3I and developing relationships with a broad spectrum of businesses.

A high calibre graduate, preferably with a further qualification such as an ACA or MBA, you will find your existing business knowledge, financial understanding, intellect and interpersonal skills stretched to the full. A proven achiever with a confident and committed approach, you must combine realistic commercial vision with sound judgement.

An attractive salary will be offered according to your experience as well as comprehensive financial sector benefits. We will provide full training and opportunity for rapid career progression.

If you have the commercial vision and sound judgement to support enterprise in all sectors, please send your full c.v. to Nicola Cass, 3I plc, 91 Waterloo Road, London SE1 8XP by Friday 12th March 1993.

Coutts & Co CLIENT SERVICE INVESTMENT OFFICER

The company is part of a major International Private Bank operating in 19 locations worldwide. Our Investment Department currently has an opening for a Senior Client Service Investment Officer who will be located in the Isle of Man.

Our requirement is for a talented and proactive professional with at least 10 years investment management experience and more recently at senior level. Ideally candidates should have a recognised degree plus IIMR or CFA equivalent professional qualifications.

You will be primarily responsible for maintaining and developing our private banking client investment management relationships and will also have marketing and new business responsibilities for our investment management service.

The successful candidate will be offered an attractive remuneration package including relocation and will enjoy the benefit of living and working in a recognised offshore financial centre.

If you feel you meet all of the above criteria please write enclosing a detailed Curriculum Vitae to:

The Personnel Department, Coutts & Co (Services) Limited, Coutts House, Summerhill Road, Onchan, Isle of Man

Telephone: (0624) 632222

EUROPEAN CONSULTANTS

Air Transport Based West Sussex
Good Salary + Bonus + Benefits

SH & E is the world's leading air transport consultancy and part of Reed International Plc. The company is seeking to recruit senior consultants for its new European office, based near London Gatwick Airport. The company plans to extend its operations in Europe and adjacent regions substantially in the coming years.

SH & E also have offices in Boston, Miami and New York.

Suitable candidates should have experience of transport and/or management consulting. They should speak one European language, other than English. It would be an advantage to have worked in an air transport business.

To apply, contact Peter Smith, Senior Vice President, SH & E during office hours on 0293 526262 (fax 0293 552478) or alternatively send your curriculum vitae to SH & E, 7 Gleneagles Court, Brighton Road, Crawley, West Sussex, RH10 6AD.

INTERCAPITAL

Intercapital, the leading London derivatives broker, is looking for staff to fill the following positions:

HONG KONG

SWAPS/OPTIONS

An experienced broker to join our newly established team in the colony. Preferably in their mid to late twenties, the ideal candidate will have at least two years' swap experience, be self motivated and technically proficient. A knowledge of the Far Eastern markets would be an advantage but is not essential.

LONDON

SWAPS/OPTIONS

Brokers with a specialist knowledge of the French Franc and/or Peseta markets. Ideal candidates will certainly be fluent in French/Spanish and, quite likely, nationals.

SHORT DATES

A short date swap broker to join a small team covering a wide range of currencies, concentrating on maturities sub-2 years. Candidates should have a good understanding of futures strips, FRAs and swaps.

SECONDARY LOANS

Secondary loan brokers with a background in syndicated lending and experience of either property lending or LBOs, together with restructurings and work-outs. International experience, particularly North American, would be an asset.

BONDS

Experienced French-speaking bond salesman with expertise dealing in asset swaps, FRNs and fixed income with banks and institutional clients.

COMMODITY SWAPS

Two brokers to join this highly motivated and successful team. Intercapital Commodity Swaps is continuing to expand its operations in London and New York. Applications are invited from individuals who have had experience in broking this or other derivative markets. The ideal candidate will be a graduate, aged 22-35.

Competitive remuneration packages will not be a problem for the right candidates. Please reply confidentially, in writing, to:

*Susan Calveley, Intercapital Brokers Limited,
Park House, 16 Finsbury Circus, London, EC2M 7DJ
Fax Number 071 344 6743*

INTERCAPITAL BROKERS LIMITED IS A MEMBER OF THE SMC

whitehead selection

Corporate Finance Manager

Extensive international travel

London based

c. £60,000 plus car and benefits

This blue chip multi-national operates in several major consumer related businesses and has turnover in excess of £4 billion with profits above £500 million. It actively seeks to develop its interests further into wider geographical markets which offer potential for profitable growth.

The initial brief, probably for up to two years, will be to join a team undertaking worldwide research for one of the group's main divisions. The challenge will be to identify potential acquisitions, joint ventures and strategic alliances, thus support actual transactions in conjunction with the Corporate Finance team at the centre. The position will necessitate approximately 50% international travel. Following successful completion of the assignment, the next position will be either a line role in an overseas acquired business or a head office position in the UK.

Probably aged mid-thirties, candidates will be graduates with a further business degree or relevant professional qualification. Direct experience of substantial corporate finance transactions, preferably involving overseas work in a leading corporate or a merchant bank, will be essential. Personal qualities will include the ability to work independently, a high degree of cultural awareness, excellent communication skills, drive and tenacity.

Please write enclosing a full CV, quoting reference 602 to Nigel Bates, Whitehead Selection Ltd, 43 Welbeck Street, London W1M 7HF.

A Whitehead Mann Group PLC company.

whitehead selection

Market-leader in equity derivatives with the belief that sales and marketing are critically linked with both product development and trading activities

MARKETING EXECUTIVE EQUITY DERIVATIVES

This individual will be responsible for developing business in structured transactions, OTC options and equity-linked swaps for institutional investors in Europe. Applicants should possess two years experience marketing highly structured derivative products and fluency in a major European language is essential.

The close relationship between marketing and product development vital to our client's approach, makes it essential that candidates demonstrate a wider experience of derivative products within research and financial engineering.

*Suitable applicants should contact Roger Steere
on 071-623 1266 or write to him at the address below*

*Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Tel. 071-623 1266 Fax. 071-626 5259*

JONATHAN WREN EXECUTIVE

Asset Securitisation Analyst

City

Our client, an internationally renowned organisation in the financial markets, now requires an additional member to join the asset securitisation and structured finance team. The group works on all types of asset backed transactions throughout Europe.

Reporting to a Director in London, the successful candidate will be an integral member of the team, working closely with lawyers, issuers and colleagues. The role will involve complex analysis and presentation of the findings for which excellent written and oral communication skills are essential. Individuals will ideally have several years credit experience, probably gained from within a financial institution.



Michael Page City

International Recruitment Consultants
London Paris Amsterdam Brussels Dusseldorf Sydney

Dynamic Organisation

although not necessarily in this field of expertise. An additional European language would be advantageous.

Successful applicants must have had experience of working within a team environment and be confident self-starters with the ability to represent our client in a professional manner. An attractive remuneration package, based on a generous basic salary, will entirely reflect experience.

For more information on this exciting opportunity call Ann Semple on 071 831 2000 or write to her enclosing a full curriculum vitae and details of your current remuneration package at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH.

PRODUCT CONSULTANT (EUROPE)

A Financial Software Company is seeking management level applicants to fill the position of Product Consultant - Europe for Electronic Cash Management Services. The position will support sales roles to financial institutions in Europe, Middle East & Africa. Applicants must have extensive knowledge of global electronic cash management services, global payment systems and trade finance. Applicants must have a minimum of 10-15 years combined experience in electronic banking and cash management as Product Managers in wholesale banking operations and software development project management. Hands-on experience with at least two electronic cash management systems is required. The position requires travel throughout the aforementioned regions.

Replies should be sent, enclosing a detailed CV and salary history to:

Box A724, Financial Times, One Southwark Bridge, London SE1 9HL

£13,500 + BONUS INVESTMENT MANAGEMENT

Two numerate graduates required by U.S. investment manager. Entry level candidates will support day-to-day portfolio management operations including trade settlements, performance calculations and client assistance. Non-smokers please.

Send curriculum vitae with telephone number to:
Amerindo Advisors (UK) Limited
17a Curzon Street
London W1Y 7FE

UK & OVERSEAS EQUITIES

London-based

Attractive salaries + financial sector benefits

United Friendly Insurance is one of the UK's most successful insurance companies, currently managing assets of over £2 billion. The established investment team is now looking to recruit four experienced individuals to maintain the superior investment performance.

Portfolio Manager (UK)

Reporting directly to the Senior Portfolio Manager (UK Equities), you will make a major contribution to the management of UK Equity Funds of around £1.1bn, including the evaluation of stockbrokers' and analysts' views, stock selection and dealing on behalf of the Funds. You must have an analytical background with at least six years' experience in UK Equities including three years' in investment management.

will assist in the management of the Equity Funds, including country/sector strategy, stock analysis and share dealing.

A graduate and IIMR-qualified, you must have at least three years' investment experience, well-developed analytical skills, and some knowledge of European or North American Markets. Computer literacy and some fund management experience would be an advantage.

Investment Analyst (UK)

The main focus of this role will be to carry out detailed analysis and to report on companies and sectors. A graduate with at least three years' investment experience gained in UK Equities, you must have excellent analytical skills and the ability to present concise reports.

Please send full career details, indicating current salary, to Ms Barbara Agyeman, Personnel Officer, United Friendly Insurance plc, 42 Southwark Bridge Road, London SE1 9HE.



United Friendly Insurance plc

Leading US Investment Bank

Internal Consulting Analysts

London

Excellent package

Our client, a major and expanding international US investment bank, is developing its internal consulting department in London. This department, currently undergoing expansion, provides a consulting resource for senior management in identifying and controlling risk and evaluating the quality and efficiency of performance.

Successful candidates will be well-qualified, enthusiastic and dynamic self-starters capable of bringing a fresh approach to a broad range of assignments across the bank's business. Comprehensive business reviews performed jointly with business managers will constitute a significant element of these assignments. Outstanding analytical and intellectual ability will be backed by a record of achievement in one or more of the following areas:

Engineering - Quality Assurance - Information Technology

Research and Development - Financial Services

Strong verbal, written, presentation, listening and team skills are also required. Opportunities to move into line positions will be available to candidates who demonstrate successful performance in the role.

Remuneration will be competitive and career prospects are excellent.

Please apply in writing, enclosing a full CV in strict confidence, to: Geoff Selby, Ref. CR/15F, C. P. Wakefield Limited, 38 Charterhouse Square, London EC1M 6EA. Please indicate separately any companies to which your application should not be sent.

WAKEFIELDS

Financial Engineers



Renaissance Software is a leading supplier of derivative trading software within the capital markets. Established originally in California and with offices around the world, we have a reputation both for excellence in the innovation and sophistication of our products and for the calibre and expertise of our employees.

As a result of our continued success in Europe, we are expanding our London operations. Our current requirement is for professionals from the derivatives industry who will be responsible for customer and sales support, implementation and training throughout Europe.

These are senior positions within the organisation calling for 3-5 years' experience on an active derivatives trading floor with excellent knowledge of fixed income and option derivatives trading analysis and risk management. Self-motivation and effective communication skills are seen as pre-requisites.

In addition to the substantial salary and benefits package, these roles represent outstanding opportunities with a rapidly expanding and successful organisation.

If you are interested in finding out more about these positions, please contact Jane Moore on 071-287 2525 (071-436 1263 evenings and weekends). Alternatively, please write in complete confidence, enclosing your cv to: ARC International plc, Recruitment & Consultancy Services, 15 - 16 New Burlington Street, London W1X 1FF.

Tel: 071 - 287 2525 Fax: 071 - 287 9688.

RECRUITMENT & CONSULTANCY SERVICES

ESTABLISHED SWEDISH STOCKBROKING PRACTICE

Seeks to recruit for its London subsidiary the following senior position:-

MANAGER EQUITY SALES SUPPORT (DENMARK)

Previous experience as an analyst on the Danish economy and companies is essential. Candidates must have close relations and knowledge of the major Danish companies.

The successful candidate will be fluent in English, the Scandinavian languages and at least two other European languages. Ability to translate accurately between English & the Scandinavian languages is a pre-requisite. Previous experience with an international security house is essential.

Please write to Box A724, Financial Times, One Southwark Bridge, London SE1 9HL.



to £40k + benefits

city

CHIEF OPERATING OFFICER REQUIRED

for small (4 branches) but expanding retail bank in the Turkish Republic of Northern Cyprus. Candidate should have good background and experience in all aspects of banking and in particular computer applications. Salary & benefits by negotiation.

Please write in confidence to: Executive Search, P.O. Box 1738, Manama, Bahrain.

CORPORATE BANKERS MIDDLE EAST LOCATIONS

A number of senior account manager positions have arisen in the region which require management experience with credit and marketing background. Good tax-free compensation with full expatriate benefits.

Interested candidates should contact:

Brian Jarvis - General Manager
Jonathan Wren International
PO Box 11947, Diplomatic Area
Manama, Bahrain

Tel: 010 973 53252 Fax: 010 973 53264

JONATHAN WREN INTERNATIONAL

DERIVATIVES ANALYST

City Financial Engineering c £50,000 & Full Banking Benefits

Our client is one of the world's largest financial institutions with an impressive global presence. Owing to the expansion of its European Head Office in London, it is looking for a key individual to strengthen the analytical capability of its capital markets group.

Reporting to the Head of Department you will be expected quickly to become an integral part of a small, highly motivated team, which is responsible for structuring, pricing and evaluating a full range of derivative products using the most modern analytical techniques.

The ideal candidate will be computer literate and have a minimum of three

years' relevant experience probably gained within the bond trading, corporate finance or research department of a large securities house. A degree in Mathematics or Mathematics based subject, together with strong interpersonal and communication skills are prerequisites. Flexibility and a willingness to work hard under pressure are also essential.

Candidates who feel they have the right background and would like to find out more about this interesting opportunity should send a detailed curriculum vitae to Jonathan Cohen at the address below.

Tel: 071-413 0972

Fax: 071-413 0978



LONDON PARIS

MADRID

FINANCIAL MANAGER

Generating Business Results
Through Effective Financial Management

Middlesex

It takes more than advanced engineering skills to achieve success in the competitive field of standard and pre-engineered water treatment. It also takes exceptional business and financial expertise – and the determination to meet the complex and changing needs of clients in every sector of industry and commerce.

These are the qualities that have made Permutit into a rapidly growing part of Thames Water Plc.

As Financial Manager, you will have a major impact on our business performance. On a day-to-day level, you will ensure that management information and accounts meet both statutory and business needs. You will also lead and motivate a team of finance professionals, maintain the integrity of financial controls, and provide a full range of financial and commercial management advice.

In addition, you will contribute to the strategic development of the organisation, exploring ways to improve business performance and meet future challenges via the introduction of new systems and procedures.

A qualified accountant, and possibly holding an MBA, you should have at least 5 years' post-qualification experience and proven ability to run a finance and computing facility. You will also need good company secretarial experience, excellent interpersonal skills, and the desire to get involved in the business at a very practical level. If you have a background in manufacturing and some international experience, so much the better.

Above all, you'll need the initiative and drive to achieve consistent results in a fast-moving business environment.

The attractive rewards package includes a generous salary geared to qualifications and experience, pension, private health care and relocation assistance where appropriate.

So if you have the skill and vision to direct our growth in a complex and rapidly changing business environment, please send a full CV to Sharon Leander, The Permutit Company Limited, Permutit House, 632/652 London Road, Isleworth, Middlesex TW7 4EZ.

c.£34,000 + benefits



Accountant

Budgeting & Planning for expanding business
Southampton c.£35,000 + car + benefits

The Port of Southampton is Britain's premier south coast port and continuing investment is increasing both capacity and trade.

We are seeking to strengthen the senior management team with the appointment of an Accountant with primary responsibility for management accounting. This will include budget preparation and monitoring, the development of expenditure controls, preparation of capital appraisals and the valuation of existing and potential traffic profitability.

The successful applicant will be required to make a significant contribution to the development of the business and excellent interpersonal skills combined with sound commercial experience are essential requirements.

Candidates will preferably be ACA or ACMA with at least 5 years' post qualification experience together with a thorough knowledge of computerised accounting systems.

Benefits include a fully expensed car, private medical insurance, share ownership and share option schemes.

To apply, please write with a full c.v. to Alasdair Clarke, Staff Development Manager, Associated British Ports, 150 Holborn, London EC1N 2LR or alternatively telephone 071-430 1177 extn. 274 for an application form.

JOSLIN ROWE

SENIOR INDUSTRY RESEARCH

£55,000

Lending International Bank needs a Researcher, at Associate General Manager level to head its European Credit Research group. The role will be to lead the credit research function, advise the corporate in support of credit decisions, develop research contacts and to provide advice on economic data. A minimum of seven years' relevant experience from a financial institution essential. Additional European language required.

PROJECT FINANCE

£25,000

A Graduate level experienced Project Finance specialist sought by Lending International Bank. The role will incorporate marketing and relationship development, risk analysis, negotiation, structuring and monitoring of transactions and research into the European market place. Candidates will ideally have an engineering background or qualification, as well as exposure to the engineering industry.

SYSTEMS AUDIT

£30,000

Degree educated Audit Officer sought who possesses, or has made significant progress towards, a qualification in accountancy and Systems Audit. The incumbent will be expected to plan and perform fieldwork, travel and liaise with Management and undertake audit project work as required. Other activities will include system development reviews and product audits.

TEL: 071 638 5286 FAX: 071 382 9417

John Rowe & Sons Audit Ltd, 100 Newgate Street, London EC1N 8AA

MEMBER OF THE

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND & WALES

LATIN AMERICAN
EQUITY SALES

A young institutional brokerage house specialising exclusively in the Mexican and South American equity and equity derivatives markets – with additional activities in the respective fixed interest markets – seeks to recruit an able and experienced salesperson of proven calibre and established following with at least 2 years' directly relevant experience to join a motivated and vigorous team.

Competitive remuneration is offered, negotiable according to experience and closely geared to performance.

Applications in candidates' own handwriting and accompanied by a full C.V. and details of current remuneration should, in the first instance, be forwarded to Box A721, Financial Times, One Southwark Bridge, London SE1 9HL.

**INTERNATIONAL
CAPITAL MARKETS - TRAINEE**
A leading Japanese bank in the City is seeking an Economics graduate to join their Futures Broking team. The individual will be required to service existing financial futures and develop potential new clients predominantly in the Japanese market.

The appointee will be expected to speak, read and write fluently in Japanese and also be familiar with Japanese business practices.

Candidates will ideally be between 25-30 years of age. Salary will be commensurate with age and experience.

Please apply in strictest confidence:

JAC Recruitment, Dansey House, Frederick's Place, London EC2R 8AB Tel: 071 796 3152 Fax: 071 796 4620

FOREX

A top US investment bank is looking for a young individual to develop its foreign exchange business in conjunction with a strong institutional client base.

A thorough knowledge of the FX market and a minimum of 2 years' trading experience are essential. The ideal candidate, who is likely to be a graduate, must be a good communicator and capable of working well under pressure.

Applications should be sent to:

Box A721, Financial Times, One Southwark Bridge, London SE1 9HL

OPTIONS TRADER/
TECHNICAL ANALYST

£50,000 PA

A minimum of 3 years experience, knowledge of US Markets, computer literacy and a University Degree. To head an Options Trading Team.

Please telephone:

071 283 1228 Rec Cours

CAREER
ASSESSMENTFor all your
personal help on career planning.

Reading work, career, Consult.

© CAREER ANALYSTS

90 Gloucester Place, W1.

071-935 5462 (24 hrs).

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EUROPEAN PC
MANUFACTURER

and trading company

establishing presence in the UK

offers good opportunity to

experienced person of high

calibre to independently

manage operations on a profit

sharing basis or on salary

plus profit sharing basis.

Experience of PC market

essential. Please send CV with

covering letter to Rajesh

Bhambhani, Director, Sunraye s.r.v.

18 Florence Mansions, Vivian

Avenue, London NW4 3UY

APPOINTMENTS
WANTED

GERMAN, LONDON BASED

31 yrs, bilingual, seeks research scientist

position in UK. Open to e.g. investment

banks, venture capitalist or consultancy.

Offer: Experience research experience

during last 5 yrs int'l. experience.

Currently PhD cand. Siemens trained.

PC software application. In UK since '93.

Dynamic, team oriented and reliable.

Write to Box A722, Financial Times,

One Southwark Bridge, London SE1 9HL

OUTSTANDING OPPORTUNITIES
FOR ACCOUNTANTS WITH A
PROVEN TRACK RECORD

Marlow

The relocation of the Finance Department of Volvo Car UK Limited from Ipswich to Marlow has led to those outstanding opportunities for exceptional career-minded qualified accountants. You will be joining a young, professional and highly respected group who play a significant role in the overall management of the business, and who believe in giving genuine responsibility to each team member.

Finance Manager

up to £40,000 (inc. bonus) + car

Ref: 1487

To manage all aspects of management accounting, dealer funding and car funding. Supported by a team of nine, you will not only be responsible for the overall preparation of management accounts, but will also provide support and direction to managers in achieving their business objectives.

A qualified accountant, you will have four years post qualification experience within a Finance department in a commercial organisation. Your proven record of contribution to the business will be matched by excellent people management, interpersonal and commercial skills.

Accounting Managers

up to £30,000 + car

These two positions present an opportunity for talented qualified accountants. Each role is broad, and demands candidates with excellent all round accounting experience.

Financial Planning (Ref: 1488)

A dual role combining planning and forecasting while providing financial and commercial guidance to the contract hire subsidiary of Volvo Car UK Limited. Must be able to manage and motivate a small team.

Tax/Systems/Ireland (Ref: 1489)

The job holder will offer business and accounting support to Volvo Car Ireland Ltd. The role will also involve managing the VAT and other taxation matters for VCIU.

For both these positions we are looking for accountants with two years post-qualification experience and above average intellect, commercial awareness, and strong interpersonal and communication skills.

Volvo Car UK Limited offer an excellent salary, based on performance and contribution, together with non-contributory pension scheme, 22 days holiday, company and lease car scheme and private medical insurance. Relocation assistance is available where appropriate.

Please write in confidence, with full career details and current salary, to our advising consultant, Diane Cubberley, quoting the relevant reference number, at Regent Consulting, Prince Regent House, St Giles Circus, Reading RG1 2SA. Tel: (0734) 580622. Fax: (0734) 580434.

VOLVO

The Top Opportunities Section

appears every Wednesday.

For advertising information call:

Clare Peasnell 071 873 4027

Elizabeth Arthur 071 873 3694

FINANCIAL CONTROLLER

A multi-national U.S. oil field service company is relocating its corporate headquarters for Europe, Africa, the Middle East and the CIS to the Hammersmith area, London and has a vacancy for a Financial Controller.

Reporting to the Director/Vice President Finance & Administration and managing a small team, the position is intended to provide the territory with strong financial management as a basis for its aggressive future development.

Responsibilities include, inter alia, reporting on monthly management accounts, preparation of consolidated accounts, cash and profit forecasts, supervision of credit control, and further development of management reporting systems.

Applicants may have either of the following qualifications and experience: (a) qualified accountant with 1 to 2 years senior level accounting experience; or (b) a degree in accounting with 8 to 10 years senior level accounting experience preferably in an oil field related environment.

Additionally, applicants must be computer literate, specifically Quattro Pro or equivalent spreadsheet programs, and demonstrate commercial awareness, decision making and analytical skills, dedication to achieve strict reporting deadlines and a flexible work attitude.

Please apply in writing with full C.V. to K.E. Blighton, ML&B, 4 Carlton Gardens, Pall Mall, London SW1Y 5AA

No Agencies Please

DENTON HALL

BURGIN & WARRENS

PROJECT ACCOUNTANT – SOLICITORS

C. £25 – 30,000 + BENEFITS

Denton Hall Burgin & Warrens is one of the largest law firms in the UK. Based in Chancery Lane, the firm has an extensive international practice with eight overseas offices.

We are looking for a Project Accountant with a minimum of two years post qualification experience. Reporting to the Director of Finance, this position is particularly challenging and will cover a wide variety of tasks. One of the first projects with which you will be involved is the specification, selection and implementation of new accounting software.

You should be a graduate Chartered Accountant with a sound accounting background, computer literate and have experience of team management. We are looking for a self-starter with an outgoing and confident personality who is used to dealing with people at all levels. Experience of implementing a large scale accounting system or knowledge of the accounting and management information requirements of a professional practice is desirable. Candidates should note that the firm operates a no-smoking policy.

To apply, please write with a full CV to:

Nicola Durkin, Personnel Executive, Denton Hall Burgin & Warrens, Five Chancery Lane, Clifford's Inn, London EC4A 1BU

FOREX Selection

Treasury Recruitment

Please call Jane Hampton or

write in confidence quoting:

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Time for auditors to come out of their shells

Michael Fowle clarifies the profession's role in business and its future direction and development

IT IS time that auditors "came out". We should demonstrate that our profession is a fundamental part of risk management in the economy, that we are proud of our contribution and want to do our job even better in the future than we have in the past.

I am an auditor and I am proud of it. My predecessors built my firm on a reputation for providing a service to those who used the accounts of their audit clients - and not by bowing to the wishes of company directors. That is the past of auditing and so must it be its future. I am passionate about auditing and its contribution to business society.

The UK Auditing Practices Board (APB) paper on the future development of auditing issued last November gives us plenty to think about. Its authors make clear that it is intended to promote public debate, and is certainly not a水ed-through proposal. But reflecting the diversity of public concern, its scope is so wide-ranging that it runs the risk of prompting a series of unending debates.

I want to return to basics. The public role of auditors is to audit accounts. They may - and indeed do - fulfil other functions which contribute materially to the benefit of the economy, but the essential issue is that of competence in their primary function.

An audit report is a matter of opinion - an opinion in support of facts, and on their presentation. Failures in audit evidence do occur, but they are surprisingly rare and we have to

remember that no process of inquiry can be absolutely conclusive.

Opinion on presentation is an opinion on the way in which the directors have set out the facts and arrived at judgments where these are required. Neither opinion is of any worth unless it is objectively arrived at.

The APB paper notes that the small number of audit reports which are qualified is seen by some as indicating a lack of objectivity. But this confuses a qualified audit report with an auditor's badge of virility. Auditors do their duty to the stakeholders by assisting, advising - and, on occasions, persuading - their clients' directors to publish accounts which, in the auditors' opinion, show a true and fair view.

A qualified audit report is not only an expression of the auditors' opinion that the directors have failed to comply with the law. It is also an admission by the auditors that they have failed effectively to influence the directors. Qualified audit reports are indeed rare, but this is a sign of success, not failure.

On every single public interest audit engagement, auditors in my firm work for at least four separate client constituencies, whose interests may well conflict. They are shareholders; other stakeholders and regulators who may represent their interests; the board; and executive management. If auditors cannot build a working relationship with the executive directors and management of their client company, they can never undertake a truly efficient and effective audit.

There is no point in being frightened of conflicts of interest. The world is built on them. My favourite working definition of a professional is somebody who can identify conflicts and make judgments amongst them. Good auditors understand that not only can they serve all four client constituencies, but that they must serve all four. If the audit fails to do so, it fails as an audit.

That is why the Cadbury Report on

There is no point in being frightened of conflicts of interest. The world is built on them

corporate governance is entirely right to concentrate not on auditor independence but on achieving auditor objectivity. Good auditors have always known that because they serve four constituencies, their first duty is not to the directors of their client company, but to the company itself. It is the company and only the company which can be the proxy for the stakeholders - in particular the shareholders, who are the prime stakeholders.

On this issue auditors are in the same position as the directors. But this legal relationship in no way detracts from the essential fact that both directors and auditors owe their duty to the shareholders and stakeholders. Auditors know this very well.

Auditors also know the importance of understanding the framework within which they operate. Their critics sometimes find this less essential.

One example is accounting standards, which are not the province of the Auditing Practices Board but of the Accounting Standards Board. The roles of these related but necessarily distinct bodies are often confused in the public mind.

Another instance is the failure to grasp that it is management that manages companies, and directors who set and monitor a direction. It is directors - not auditors - who are responsible for reporting to shareholders on the company's business, its financial results and future prospects.

The heart of the question is not the narrow one of professional liability nor the details of what an audit report is meant to say. It is the fundamental issue of the function of auditors and where they stand in relation to management. We do not wish to take cover behind a defensive barricade. We welcome the opportunity to contribute more effectively to the economic process, and in so doing to respond to the needs of the market.

But the APB suggests that the purpose of an audit should be re-defined beyond the auditors' current role to encompass reporting both on the proper conduct of the company's affairs and/or future risks attaching to the company. Surely these suggestions address not the role and scope of audit, but the role and scope of annual reports by directors to shareholders?

It is for the directors to report to the shareholders and other stakeholders and only then for the auditor to express an opinion on this report. If you move to a position where report-

ing is in the first place the duty of auditors not directors, this denies the auditors' essential role as objective commentators and effectively makes them another tier of management.

There are strong arguments for suggesting that directors should be given an enhanced responsibility to stakeholders other than shareholders. There are strong arguments that directors should report each year to shareholders on the way the company's affairs have been conducted and on how they have satisfied themselves on the propriety and perhaps the efficiency of that conduct.

There are also strong arguments for suggesting that the directors should report to shareholders about the risks inherent in the group's business and the way in which they ensure that those risks are appreciated and appropriately limited. This last proposal is covered in the Operating and Financial Review proposal from the Accounting Standards Board circulated last April.

Auditors are neither guarantors, nor guardian angels, nor soothsayers. But if the reporting standards for directors encompass the issues of proper conduct and future risks, and if the benchmarks are there, we auditors will be able to obtain information, verify it, make judgments and arrive at opinions on those matters of conduct and risk on which an objective opinion is both practicable and relevant. It is then for the business world to judge whether the cost will match the benefit.

Michael Fowle is senior UK audit partner at KPMG Peat Marwick.

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We have recently been bought out by a Public American Corporation which is in the same industry in the USA. For this reason we need to make a new appointment.

You will be taking over the complete control of our small accounts department (3 staff) as well as the total responsibility for all budgeting, standard costing and USA reporting functions of the company. We are a go ahead company and need someone not afraid of hard work and a real challenge.

The suitable applicant will have the following attributes:

Qualified accountant

8+ years industrial experience

Experience in manufacturing industry using standard costing accounts

Experience in the garment industry

Good knowledge of PCs using Tetra accountancy software

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Good communication/management skills

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We are one of the leading companies in the licensed sportswear industry in the UK and are expanding into Europe. Our turnover this year will be in excess of £10m.

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Live locally

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Interested candidates should send their curriculum vitae to Anne Wilkie ACA at Michael Page Finance, Windsor Bridge House, 1 Brooks Street, Eton, Berkshire SL4 6BW.

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Interested candidates should write enclosing a curriculum vitae to Peter Gerrard at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.



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Interested candidates should send their CV in confidence, quoting reference E0957, present remuneration details, work and home telephone numbers, to James Forte at the address below.



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THE ROLE

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Jonathan Wren & Co. Limited,
Financial Recruitment Consultants
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Tel: 010 973 83252 Fax: 010 973 832529

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COMMODITIES AND AGRICULTURE

Guttman declines to step down as Nymex head

By Laurie Morse in Chicago

MR Z Lou Guttman, who on Wednesday afternoon received notice from the Commodity Futures Trading Commission that he was subject to serious trade violation charges, became further embattled on Thursday when the leadership of the New York Mercantile Exchange asked him to step down as chairman.

Mr Guttman, who has maintained his innocence in the trading case, refused to relinquish the chair.

"Mr Guttman respectfully

declined to resign, stating that this issue should be decided by the membership, rather than the board," said a statement issued by the exchange on Thursday morning.

Directors of the Nymex, the world's largest energy market, will meet again to consider if they should suspend Mr Guttman under an obscure clause in the rulebook.

A board vote to suspend would have to be ratified by a vote of the entire membership. With many members sympathetic to Mr Guttman's plight, the board could face a member-

ship defeat if it pushed the issue, one exchange official noted.

Mr Guttman was charged with pre-arranged trading and other market violations in connection with trades in options on sugar futures during 1983.

The CFTC civil complainant,

which does not entail charges of fraud, says that Mr Harold Magid, Mr Guttman's former partner, executed the allegedly

questionable trades for their joint account, but that Mr Guttman still maintained responsibility for the transac-

tions.

Mr Guttman respectfully

Hemp ban lifted: but for paper not drugs

By David Blackwell

INTERNATIONAL COCOA Organisation delegates gathered in Geneva on Monday for a fourth and final attempt to thrash out a new cocoa agreement under the auspices of the United Nations.

Producers and consumers from 45 countries remain far apart after three previous rounds, but observers are not writing off an agreement yet.

"Never underestimate the powers of the UN negotiators, who spend all their lives pushing this sort of thing through," said one London analyst yesterday.

Another pointed out that the

growers would be "subject to strict licensing controls" to make sure that only varieties with no potential for drugs are grown.

However, varieties containing very low amounts of TIC are already covered by a long-standing EC regime and are grown in France and Spain. UK farmers will be able to claim an EC grant of about £200 an acre.

Hemp used to be grown in the UK before it was undercut by imports in the days of the British Empire, according to Mr Melvyn Askew, head of crops and horticulture at Adas (the Agricultural Development and Advisory Service). He believes it could once again become a useful crop for UK farmers, who are having to set aside some of their land under the CAP reforms. From a seed the size of wheat, it quickly grows to 10m tall.

"It's annual and easy to grow," he said. "It has a very long fibre, which can be used for paper as well as linen, lace and ropes."

He believes the paper market has big potential. Hemp fibre contains only a small amount of lignin, the yellowing agent which needs expensive and environmentally damaging bleaching treatment in wood pulp.

Objections to palm oil site near Karachi

By Kieran Cooke in Kuala Lumpur

MALAYSIAN and Pakistani palm oil processors have raised objections to a project to build a large palm oil storage and processing complex near Karachi.

The complex, which will be funded 40 per cent by Pakistan's privately held Westbury Consortium and 60 per cent by Malaysian government and private concerns, aims to sell refined palm oil to the Gulf states and central Asia.

Under INRO regulations, if the average market price over a six-month period is below the buffer stock intervention price, the intervention price must be cut by 5 per cent.

When the price was reviewed on January 28, the six-month average was 175.85 Malaysian/Singapore cents a kilo, fractionally below the 176 cents a kilo intervention level.

The market price has risen to 175 cents a kilo and producers fear a cut in the intervention price will damage the fragile market recovery.

Consumers insist that the cut be implemented. Producers are arguing for intervention levels to be raised after a renegotiated INRO agreement.

Dr A.F. Budiman, executive director of the Indonesian Rub-

UN cocoa talks enter final round

By David Blackwell

last cocoa agreement took five rounds to negotiate, and only in the last did things get moving.

The 1986 agreement, which is operating on a purely administrative basis, ends on September 30. Unlike the coffee agreement, the cocoa accord has no scope for further extensions.

While producers and consumers were in November moving towards agreement over the amount of cocoa which should be withheld from world markets to support prices (between 330,000 and 380,000 tonnes), they were nowhere near agreeing how to finance such a scheme.

The current agreement's

market support system collapsed early in 1988 when the ICO buffer stock hit the maximum permitted level of 250,000 tonnes. Since then some of the cocoa has been sold to finance storage of the remaining 210,000 tonnes.

The buffer stock is owed \$127m in unpaid levies, with the Ivory Coast, the biggest producer, owing \$75m. The EC, which accounts for 40 per cent of cocoa consumption, is adamant that any new agreement should be financed by sales from the buffer stock and payment by some producers. However, producers feel that the financial burden of any new agree-

ment should be shared.

If the financial hurdle is overcome in the next fortnight, the two sides will still have to agree a price range to be defended. Producers in November proposed a range between 1,180 Special Drawing Rights a tonne and SDR 1,700, while consumers urged SDR 1,260. The ICO 10-day indicator price was SDR 1,137 on Tuesday.

Adding to the difficulties are the fact that the US, the biggest consumer, is not in the agreement, neither are Malaysia and Indonesia, the fourth and fifth biggest producers, who are attending the Geneva talks as observers.

A producer-consumer accord hangs in the balance, writes William Keeling

Rubber dampened by its price



could lift prices sharply. A recent report by Free University of Amsterdam, funded by the Dutch government on behalf of natural rubber producers, estimates world production will rise from 5.24m in 1990 to 6.68m tonnes in the year 2000.

In the same period, world consumption will rise from 5.23m tonnes to 6.89m.

Longer-term forecasts have world production of 8.87m tonnes and consumption of 8.51m tonnes in 2010.

The report concludes that while supply exceeds demand, "the likelihood of more buffer stock intervention in the next few years is considerable". Last year the stock rose from 60,000 tonnes to 170,000 tonnes and could reach its ceiling of 550,000 tonnes "before 1995". But a world economic recovery, the report says, could mean a big change. The long period of low prices has led to a fall in the growth of new planting. "If the [world] economy recovers... it may be difficult to produce enough natural rubber in the second half of the current decade and in the first decade of the next century to satisfy demand."

Increases in production are expected to come from Thailand, rising from 1.27m tonnes in 1990 to 1.78m tonnes by 2000, and Indonesia, from 1.25m tonnes to 1.67m tonnes in the same period. These large increases will be necessary to offset an expected decline in Malaysia's production from 1.32m tonnes to 961,000 tonnes in the current decade.

Donor agencies say farmers replanting now will get a good price when their trees reach maturity. In Indonesia, the World Bank and Asian Development Bank have committed more than \$300m in projects to rehabilitate and expand smallholder plantations.

Indonesia production is expected to reach 1.67m tonnes by 2000

ber Association, says the current "market price is not remunerative enough to guarantee a long-term re-investment in natural rubber".

Producers still gripe that the international pricing system for rubber is weighted in favour of the tyre companies, which mostly buy direct from processors at a price related to that prevailing on the commodity exchange in Singapore.

The producers allege the exchange price is depressed by the low volume and quality of rubber traded in Singapore. Tyre companies have responded by saying they will reduce direct sales and

improve the market's liquidity.

While producers complain direct sales are having a dampening effect on the market, they feel in a weak position vis-a-vis the tyre companies.

"There are five major buyers against hundreds of sellers," says Mr Teddy Chua, managing director of Transworld Rubber brokers in Singapore. "They feel the five can hold up better than them."

Producers' complaints, however, may be overblown. Traders say rubber is a fickle commodity and while marginal oversupply at present has resulted in low prices, a shift to a small excess in demand

Mongstad faces tough targets

By Karen Fossel

NORWAY'S Mongstad oil refinery may have to be wound down or sold if it fails to improve profitability over the next two years and become as competitive as the best of continental Europe's refineries.

Statoil, the Norwegian state oil company, Mongstad's operator, has implemented a draconian programme to improve the return on its Nkr12bn (\$1.73bn) investment made in the mid-1980s to upgrade and expand the facility.

Mongstad has an annual refining capacity of 6.5m tonnes. The upgraded facility came on stream at the end of 1989 at a cost overrun of Nkr7.7bn, creating what is widely considered to be one of Norway's biggest ever industrial scandals. The event forced the resignation of Mr Arve Johnsen, chief executive, fol-

lowed by a reshuffle of the group's executive management.

Statoil said yesterday that it had postponed an estimated Nkr600m investment programme for Mongstad meant to enable it to meet European Community targets for gas/oil desulphurisation set for 1996.

Part of the plan to improve profitability calls for a 20 per cent reduction in Mongstad's estimated 950 full-time and temporary employees by the end of 1994.

Mongstad's refining margins sank to just under \$3 a barrel last year from just more than \$5 a barrel in 1991. The facility's amortisation and finance costs have remained a drain on Statoil's cashflow since it was commissioned.

Last year Mongstad suffered a Nkr710m operating loss, including finance costs, versus a Nkr97m loss in 1991. Before

LME and Comex in copper wrangle

By Kenneth Gooding, Mining Correspondent

THE LONDON Metal Exchange was willing to stock copper in its US warehouses if that is what the American industry wanted, Mr Raj Bagri, the LME chairman, indicated at a conference in New York.

He suggested the industry would benefit if it gave up its present system where US copper producers set prices for their domestic market and instead used LME prices. Mr Bagri pointed out that 55 brands of copper produced in 24 countries were registered for trading on the LME. "There is international confidence in our base reference prices which are transparently and independently established," he added.

However, Mr Joseph Robertson Jr, first vice chairman of the New York Commodity

Exchange, which also offers a copper contract, said that in his many contacts with US copper producers and consumers "I have yet to find anyone who is interested in pushing or promoting LME pricing for their domestic sales."

The first LME warehouses in the US started operating only a year ago and copper, which is traded in sterling in the LME "ring", was excluded so as not to challenge the Comex copper contract. This is a dollar contract and occasionally presents arbitrage opportunities to LME traders. However, recent turbulence in currency markets caused a change of heart among London-based traders so the LME copper contract will shortly switch from sterling to dollars. This eliminates the main reason for excluding copper from US warehouses.

Mr Bagri said at the conference that the LME without a fight.

Compiled from Reuters

MARKET REPORT

PLATINUM group metals closed on the day; a possible retreat to \$1,400 was predicted.

ALUMINUM and **COPPER** prices moved up to the higher ends of comparatively narrow ranges on the LME. Dealers said aluminium's gains were fostered by reports of a 36,000 tonne production cutback at an smelter. Talk also circulated that Bonneville Power Administration restrictions will make power increasingly expensive for the aluminium smelters it services.

He suggested there could be no carving up of territory between exchanges nor any "no-go" areas as far as the LME was concerned. "The LME has a duty and obligation to its users to provide them with the best possible facility."

Comex's Mr Robertson, who stressed he was speaking personally, made it clear that the New York exchange was in no mood to hand over business to the LME without a fight.

Mr Bagri said at the conference that the LME without a fight.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB) (Agr) + or -

Dubai 208.00 208.00 208.00

Brent Blend (dated) 187.60-7.98 +1.10

Brent Blend (Apr) 187.60-7.90 +1.10

WTI (1 pm est) 181.52-5.66 +2.16

Oil products

NWEC prompt delivery per tonne CIF + or -

Promot Gasoline 189-191 -1.5

Gas Oil 178-189 -1.5

Heavy Fuel Oil 97.71 -1

Naphtha 188-190 -3.5

Petroleum Argus Estimates

Gas + + or -

Gold (per troy oz) \$300.05 -0.10

Silver (per troy oz) \$64.54 -1.00

Platinum (per troy oz) \$61.50 -0.25

Palladium (per troy oz) \$172.00 -3.00

Copper (US Producer) 100.00

Lead (US Producer) 33.50

Tin (Kuala Lumpur market) 18.00+ -0.08

Alum 264.50

Zinc (US Prime Western) 82.00

Cadmium 185.30 +1.02

Sheep live weight* 107.92p +5.50

Pigs (live weight) 64.93p +0.34*

London daily sugar (raw) 823.90 +8.5

London daily sugar (white) 327.10 +0.5

Tale and lime export price 227.75 +8.0

Barley (English feed) 141.02

Molasses (KL RSB No 1 Feb) 223.50 -1.0

Wheat (US Dark Northern) 114.00

Rubber (Mar) 180.00 +0.25

Rubber (Apr) 180.25 +0.25

Rubber (KL RSB No 1 Feb) 223.50 -1.0

Cotton oil (Philippines) 44.60y -2.5

Palm Oil (Malaysia) 54.95w +2.50

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FOREIGN EXCHANGES

\$ rides Clinton switchback

THE DOLLAR bounced higher in early European trading but doubt about President Clinton's plans for reducing the US budget deficit left it struggling to break through DM1.6400, writes Emma Tucker and Gillian Teller.

The market's initial reaction to the President's economic package was favourable and the US currency rose to DM1.6500, but by the European close it had dropped to around DM1.6300.

Market worries were fed by Whitehouse comments that the President hoped to work with the Federal Reserve to keep rates low and that Mr Alan Greenspan, chairman of the Federal Reserve shared that goal. These appeared to outweigh relatively strong inflation and trade data. The December merchandise trade deficit narrowed to \$6.95bn from \$7.35bn and both the headline and core rates of inflation rose by more than expected.

Mr Stephen Hannah, economist at IBI International, said the dollar's volatility stemmed from markedly different reactions to the President's measures.

"One camp is highly cynical, and says the budget reductions

are based on tax increases rather than lower expenditure," he said. "It worries that the expenditure figures will rise once the plans reach Congress so a high deficit will continue to be generated."

The opposing view, according to Mr Hannah, is that President Clinton is being bold and is dealing with the deficit in the appropriate manner.

Mr Avinash Persaud, currency economist at UBS Phillips and Drew, believes the president's growth package will trigger fast economic growth this year.

The key factor is the timing of the fiscal stimulus with respect to its reduction measures. The fiscal stimulus is front end loaded whereas reduction measures are back end loaded," Mr Persaud said, pointing out that since Clinton's tax measures would not be introduced until at least the autumn, they would not dampen economic growth this year.

Sterling stood on the sidelines, unmoved by better than expected bank lending and unemployment figures. It closed up a pfennig at DM1.3600.

Mr Persaud said:

"The lira has been very much undermined by worries over the strength of the government coalition." It closed at L653.4 against the D-Mark at the previous close.

Estimated volume total, Cabs 2847 Pots 2077

Previous day's open int. Cabs 32000 Pots 3079

The dollar closed up just over 1% a pfennig at DM1.6335.

Trading in European currencies was quiet. The exchange rate mechanism came under no particular pressure, with poor industrial production figures in France making little impact on the franc. The French currency closed fractionally stronger at FF73.388 against the D-Mark.

The lira continued to fall in spite of the reduction in ERM tensions, suggesting that it is now domestic factors determining the lira's level. Mr Neil MacKinnon, chief economist at Citibank said: "The lira has been very much undermined by worries over the strength of the government coalition." It closed at L653.4 against the D-Mark at the previous close.

Sterling stood on the sidelines, unmoved by better than expected bank lending and unemployment figures. It closed up a pfennig at DM1.3600.

Estimated volume total, Cabs 2847 Pots 2077

Previous day's open int. Cabs 32000 Pots 3079

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£8,192,000,000-16,384,000,000			
£16,384,000,000-32,768,000,000			
£32,768,000,000-65,536,000,000			
£65,536,000,000-131,072,000,000			
£131,072,000,000-262,144,000,000			
£262,144,000,000-524,288,000,000			
£524,288,000,000-1,048,576,000,000			
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£2,096,152,000,000-4,192,304,000,000			
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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next page

AMERICA

Dow loses early gains as buying fizzles out

Wall Street

US prices were in mixed form yesterday following the announcement of President Bill Clinton's economic package, although secondary stocks, which were particularly hard hit earlier in the week, staged an impressive rally, writes Patrick Harverson in New York.

At 1pm, the Dow Jones Industrial average was down 14.59 at 3,297.60. The more broadly based Standard & Poor's 500 was down 1.40 at 431.90, while the Amex composite was up 1.00 at 202.35, and the Nasdaq composite up 2.69 at 662.12. Trading volume on the NYSE was 17.7m shares, up 1pm, and rises outnumbered declines by 1,015 to 770.

After the big sell-off on Tuesday the dominant feeling yesterday was one of relief that the State of the Union speech did not include any nasty surprises.

Taken together with further good news on the economy, industrial production up 0.4 per cent in January and weekly jobless claims down sharply - share prices saw

strong early gains, lifting the Dow more than 35 points in the first few minutes of trading.

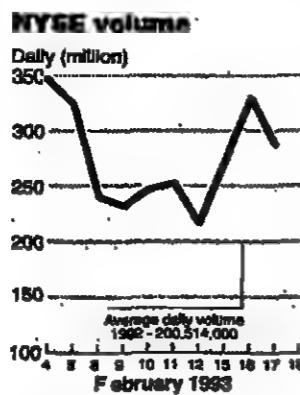
The buying, however, quickly evaporated, at least among blue-chip and large to medium sized stocks. The general reaction to the economic package was that it was much

at opening values.

In contrast, the secondary market remained buoyant, as investors rushed to pick up Nasdaq stocks which they believed had been oversold during the first half of the week.

Leading Dow stocks were in mixed form, with IBM flat at \$50.00, General Motors down 3% at \$39.40, Philip Morris up 3% at \$71, International Paper down 3% at \$64.94, and Merck up 3% at \$37.94.

Merck aside, most other big drug stocks were lower, still worried about possible government-imposed limits on pharmaceutical prices. Schering-Plough slipped \$2.40 to \$97.50, Pfizer fell 3% to \$58.40, and Bristol-Myers Squibb lost 3% at \$65.64.



Canada

TORONTO opened strongly on a parallel Wall Street rally, but eased by midsession when the TSE-300 composite index was just 5.88 higher at 3,423.68, reflecting weakness in financials and strength in oil and gas stocks, in particular. Volume rose from 18.5m to 24.7m shares.

Mr Bejsky, who chaired a

Tel Aviv drops on conflict allegations

By Hugh Carnegie
in Jerusalem

SHARE prices in Tel Aviv fell heavily yesterday, the latest lurch in a 10-day downturn as investors reacted to allegations that Israeli banks have been stoking the market to unwarranted levels.

Already depressed by worries that equities were overvalued after riding a surging bull market for most of the past two years, the index of the 100 most traded shares dropped 5 per cent during the morning session, before recouping some of the loss. It ended the day down 3.9 per cent at 194.63.

This compares with a high of 218.17 on February 8 and an end-1992 mark of 195.98, which in turn compared with a level of 101 at the beginning of 1992.

The day's fall followed remarks to a parliamentary committee on Wednesday by Mr Moshe Bejsky, the former High Court judge, which raised the spectre of a disastrous share collapse in 1993.

Mr Bejsky, who chaired a

state commission of inquiry into the 1983 crash, said bank-owned mutual and provident funds, which have supplied much of the heavy demand on the TASE, "do not always have the interests of savers as their first concern." He added: "The fact that it is the banks which manage the provident and the mutual funds constitutes an inadmissible conflict of interest."

Present market conditions are very different from those of 1983, when the principal cause of the crash was the collapse of a system by which the banks ramped up their own shares.

But government officials, brokers and analysts have noted that the banks, suffering from low margins in their mainstream business, have benefited by heavy lending to investors for stock purchases made through their own institutions.

The day's fall followed remarks to a parliamentary committee on Wednesday by Mr Moshe Bejsky, the former High Court judge, which raised the spectre of a disastrous share collapse in 1993.

Mr Klein said it would be impossible to take back control over the mutual and provident funds from the banks after they were re-privatised.

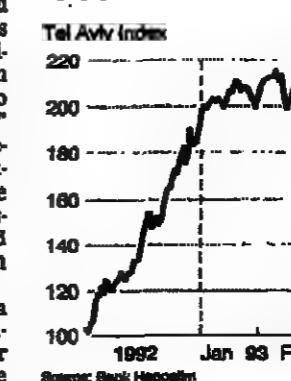
simply sells its own goods."

Bank of Israel officials said they were considering moves to remove mutual and provident funds completely from bank control, or at least to strengthen the "Chinese walls" between them through independently appointed investment committees. Judge Bejsky noted that his commission of inquiry had advised separation, but that no action had been taken.

The issue has acquired extra urgency because of the government's plan to sell off 20 per cent of Bank Hapoalim, the country's biggest bank, on the TASE within the next few weeks. Along with its rivals, Bank Leumi, Israel Discount Bank and Bank Mizrahi, Bank Hapoalim has been majority-owned by the state since the government spent \$600m on buying up bank stock after the 1983 crash.

Mr Klein said it would be impossible to take back control over the mutual and provident funds from the banks after they were re-privatised.

Israel



In spite of the heat generated by the row over the role of the banks, analysts said it tended to cloud judgment of the market, which has slipped back significantly in a year pattern of trading since peaking in early February.

Comments by the Bank of Israel that the market was like a "financial bubble" and similar cautionary talk from the Finance Ministry helped to

induce the slump, which the banks row compounded. Significantly, Israeli high-tech stocks quoted in New York, where they have consistently outperformed local markets over the past year, also declined on Wednesday, a day when the Dow Jones index rose overall.

But most analysts in Tel Aviv say they do not anticipate a 1983-style crash. They point out that the market is now much broader and deeper, but still not soaking up a steady flow of demand. Also, the high inflation, low growth economy of 1993 has been replaced by strong growth and single-digit inflation.

Mr David Rosenberg of Mediterranean Investments said: "The market was due for a correction, but we are probably past the worst of it." He added that average historical price-earnings ratios were down to 10 or less. "It could go to 18 before recovering, but the underlying fundamentals are still good. We think it is a little overvalued, but not much."

ASIA PACIFIC

Hong Kong rises 1.6% as Tokyo shows modest loss

Tokyo

TECHNICAL trading dominated activity as most investors remained on the sidelines to observe movements on the currency and bond markets after President Bill Clinton's economic statement in the US, writes Emiko Terazono in Tokyo.

The Nikkei average declined 27.49 to 16,982.14, having moved between 17,166.72 in the morning session and 16,974.62 in late trading.

Volume rose to 250m shares but from Wednesday's meagre 207m, as gainers led losers by 547 to 385, with 182 issues unchanged. The Topix index of all first section stocks lost 0.15 to 1,283.12, and in London the ISE/Nikkei 50 index edged up 0.78 to 1,037.59.

Buying by public funds was countered by selling by investment trusts, while short-term traders and dealers sought large-capital steels and other theme stocks.

Mr Bill Clinton's policy announcement, presented during the lunch hour in Tokyo, had little effect on prices. Mr Yuichi Kohashi, analyst at Daiwa Securities, said: "The tax hikes had little news value for the market, and we would have to wait for the long-term impact on the foreign exchange and interest rates."

Nippon Steel, the day's most active issue, firmed Y1 to Y286 after reporting a better than expected dividend yield of 0.8 per cent, against estimates of 0.8 per cent. Other large-capital issues attracting interest included Mitsubishi Heavy Industries, Y1 harder in Y50.

Nagase, a trading house specialising in chemical products, forged ahead Y32 to Y906 on the Aids theme - the company's subsidiary is currently developing an anti-Aids drug.

Kanematsu, a medium-sized trading house, moved ahead Y4 to Y416 on the same theme.

High-technology shares continued to weaken on worries over the high yen and faltering demand. Hitachi dipped Y2 to Y787 and Fujitsu finished Y4 cheaper at Y525.

TDK, the tape manufacturer, declined Y50 to Y3,340 on reports that it would post a 26 per cent fall in consolidated pre-tax profits to Y9bn, sharply lower than previous estimates of Y10.5bn.

Housing issues were stronger on hopes of a recovery in demand. Haseki gained Y1 at Y610 and Shokusan Jutaku Sogo closed Y12 to the good at Y515. However, Daikyo, the leading condominium builder, softened Y2 to Y932 on profit-taking.

In Osaka, the OSE average improved 87.71 to 18,49.81 in volume of 75.1m shares.

Roundup

PRESIDENT Bill Clinton's economic statement received mixed reactions from the region's markets yesterday.

HONG KONG, encouraged by reports that China had freed a political dissident and on optimism that UK-Sino tensions were easing, saw the Hang Seng index rise 9.48, or 1.6 per cent, to 58,94. Turnover was good at HK\$37.75b following HK\$3.2b.

MANILA advanced some 3.5 per cent on hopes that a new oil field will provide most of the country's needs. The composite index put on 49.15 to 265.26 in turnover of some 255m pesos.

Investors were also encouraged by a good overnight performance in the US from Philip

Long Distance Telephone, which appreciated 25 pesos to 910 pesos.

KUALA LUMPUR retreated slightly in spite of an easing in interest rates. The composite index slipped 2.70 to 832.11 in turnover of M\$39.5m.

Among the day's losers, Tenaga Nasional, the electric utility, receded 10 cents to M\$3.70 with 1.73m shares traded. Telekom Malaysia dipped 20 cents to M\$1.20. Sime Darby improved 16 cents to M\$4.00 in volume of 1.26m shares.

SEQUEL fared for the third straight session as hopes for measures to stimulate the economy receded. The composite index finished 11.21 lower at 163.91 in turnover of M\$31.8m.

SINGAPORE showed a modest improvement although there was little direction to buying. The Straits Times Industrial index ended 15.57 ahead at 1,632.13 in turnover of \$S166m.

Even though there had been no decrease in rates yesterday, Mr Edgar Benischek at Bank Julius Baer in Frankfurt said that investors were aware that the Bundesbank had taken two small steps on the downward path when, on precedent, it could be expected to take seven or eight.

Even after an 8 per cent recovery this year, he added, the DAX was still 4 per cent down from its July 16 level, while the Bundesbank's average bond yield had fallen from 8.48 to 6.71 per cent, or by 177 basis points, in the interim.

Finally, he said, the market was 12 months ahead of the economy, looking not to 1993 when the move to strong cost reductions will hit corporate profits, but to 1994 when some of the benefits will arise.

The interest rate and cost reduction themes were reflected respectively in financials, where Deutsche Bank rose DM11.70 to DM682.70, and

BANGKOK closed sharply lower as nervousness continued regarding First City Investment, which has been forced to defer repaying matured deposits. The SET index lost 11.81 to 961.43 in low turnover of Bt6.75m.

NEW ZEALAND followed Wednesday's weakness with another setback of 9.76 in the NZSE-40 index to 1,580.93, with Telecom declining 8 cents to NZ\$2.67.

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FINANCIAL TIMES SURVEY

RHÔNE-ALPES

Raymond Barre wants Lyon to be the home of the proposed EC central bank: Page three

Beaujolais prices now stand well below some growers' production costs: Page four

SECTION IV

Rhône-Alpes has the largest economy and population outside Ile de France. The region now runs its own local affairs — and looks likely to influence the shape of national government after the March elections. William Dawkins reports

Resilient stronghold

IF FRANCE'S opposition right wing wins next month's parliamentary election, which is likely, Rhône-Alpes will be one of the main victors.

The economically biggest and most populous French region outside Paris is a traditional conservative power base. So it will probably be the most important provincial influence on French national politics during the next government.

Over the past few years it has provided firm ground on which half a dozen ambitious young opposition politicians have built political bases, some hotly tipped to take ministerial jobs in the new government. This can only increase Rhône-Alpes' already weighty influence in the Paris bureaucracy, a valuable asset in a country where much economic power remains concentrated in the capital, despite the decentralisation of the past decade.

Local political heavyweights tipped for a national cabinet seat in the spring include Mr Charles Millon, chairman of the regional council and national parliamentary whip for the centre-right UDF party; Mr Bernard Bosson, centrist CDS mayor of Annecy; Mr Michel Barnier, the RPR Gaullist president of the Savoie general council and organiser of last year's winter Olympics; and Mr Alain Carignon, the RPR mayor of Grenoble. Mr

Carignon remains respected

for the amount of investment he has marshalled to update Lyon's crowded roads and to beautify further this ancient city. Yet, his ambitions have taken a knock with his misjudged decision, in 1990, to give up his RPR parliamentary seat in disgust at internal bickering among the leadership, hoping to form a right-wing union of young reformist-minded people like himself. In the event, only two other MPs followed his example and the idea has quietly sunk.

Mr Noir's national image took another battering when his son-in-law and former election campaign manager, Mr Pierre Botton, was jailed last November for alleged misuse of public funds. The latest twist to Lyon's city politics came last month when the RPR placed Mr Alain Mérieux, one of its rising stars in the region, as parliamentary candidate in the same constituency as Mr Noir — re-elected since as an independent.

The young reformers have become candidates for ministerial jobs because they have used decentralisation (which has mainly increased the power of town mayors by granting them authority to give or withhold planning permission) to shape the region and demonstrate their skills in the art of government.

At national level, the political class is being devoured in public opinion. But good mayors are still respected, except those who have made mistakes," explains Mr Jean Régis, one of Mr Bosson's colleagues on Annecy town council.

Of course, local politics in Rhône-Alpes is not an automatic track to stardom. Take

Mr Michel Noir, the dynamic mayor of Lyon, the regional capital which is the economic and political lynchpin of Rhône-Alpes. Only a few years ago he looked ready for great things — perhaps as a rival to Mr Jacques Chirac for leadership of the RPR.

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for his "economic and political lynchpin"

Bosson and Mr Carignon had ministerial jobs in the 1986-1988 conservative government.

Rising above the fray is the distinguished head of Mr Raymond Barre, former prime minister of France and a centrist member of parliament for the Rhône, who is spoken of as a possible (though outside) runner for the Matignon again.

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Lyon is an important banking centre, writes William Dawkins

Profits under pressure

PARIS BANKS are feeling the squeeze in Rhône-Alpes as the economic slowdown takes full effect in what is one of France's most competitive regional banking industries.

"Until the end of 1991, we and many of our business customers thought Rhône-Alpes would escape the crisis," says Mr Philippe Barrière, director of Banque Nationale de Paris' network in Rhône-Alpes, Bourgogne and Auvergne.

"Companies continued to invest and seek external growth and we contributed to this by lending to them. Now they are left with overcapacity. We were hit later than the rest of France, but we were hit hard. The more economic vitality you have the harder you are hit," he says.

Growth in both lending and deposits has slowed. Loans outstanding by French banks in the region grew by a mere 0.7 per cent to FF 303bn in the year to last September – a small fraction of the 14 per cent growth achieved in 1990, a

year before the slowdown hit. The Banque de France says that the total of deposits at the region's banks rose a mere 2 per cent to FF 310bn in the 12 months to September 1992.

Like their Parisian counterparts, Lyon's banks are also burdened by troubled loans on city property. They made heavy (but unpublished) provi-

Intensity of competition is a boon for private and business customers.

sions on these, says Mr Bernad Rivier, deputy director general of the Banque de France's Lyon office. Demand for office property in Lyon fell by 25 per cent last year, while prices have fallen by up to 20 per cent for old buildings, 10 per cent for new ones, according to a recent study by Bourdais, the property consultants. "All the banks have property investments. They have seen some difficulties, but they have been

largely provisioned for," says Mr Rivier.

So it is no surprise that profit margins across the region's banking industry have been under intense pressure.

Most of the leading players can stand the strain because they are owned by powerful national banks. But at least one independent operator has hit trouble. Only last month the Lyon-based développement capital group, Société de Développement Régional du Sud-Est, had to be taken over by Crédit Lyonnais – the state-owned bank which owned 19 per cent of its shares – because of heavy operating losses and bad debts.

Historically, Lyon's claim to be the region's banking capital dates from the 15th century, when Italian financiers set up shop there after escaping from the Guelph-Ghibelline civil wars of that time. Some are still there – indeed the Italian banking community is growing fast. Today the city hosts most of the reasons why the city feels confident in its bid to be

Rhône-Alpes, of which 23 are foreign, including eight Italians.

While the intensity of competition makes bank managers' lives uncomfortable, it is a boon for both private and business customers. This explains why the region has more bank branches per head than the national average, and why Lyon has six market dealing rooms and the best developed supply of venture capital available outside Paris.

Business loans in Lyon can be cheaper than in Paris, according to several local bankers. "Because of the very fierce competition, our spreads can be lower in some cases than in Paris," says Mr Yves Minnissieux, regional director of Lyonnais de Banque, France's largest regional bank, which is indirectly owned by the GAN state-owned insurance group. Indeed, the sophistication of Lyon's banking industry is one of the reasons why the city feels confident in its bid to be

headquarters of the European central bank.

As in Paris, the main banks are the three big national clearers: Crédit Lyonnais, Banque Nationale de Paris and Société Générale. Beneath them come half a dozen regional banks owned by national ones, of which Lyonnaise de Banque is the leading example.

At the next level comes Crédit Agricole du Sud-Est

(Case), the giant co-operative bank which has taken market share from conventional banks since being given the right to lend to industrial customers five years ago. Conventional banks complain that Case's huge network – 251 branches in 10 départements – gives it an unfair advantage in access to cheap funds. Case argues that it is competing fairly because its costly structure –

more than half, attracted by the growing cross-frontier trade between Rhône-Alpes and Italy's industrial north, have come in the past seven years. Recent arrivals include Banco Nazionale del Lavoro and Instituto Bancario São Paulo di Torino.

Some of their Rhône-Alpes competitors have responded by co-operating, or taking equity stakes in an Italian partner. Case and Lyonnaise de Banque have done so, though the latter has curbed its international investments in recent years.

Mr Joël Picard, deputy managing director at the giant co-operative bank, Crédit Agricole du Sud-Est, whose network of 251 branches has caused complaints that it has under access to cheap funds

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a federation of fully fledged banks with their own semi-autonomous administrations – means that its costs are higher than those of conventional banks.

Then comes the recent wave of Italian banks which have not hesitated to undercut their Rhône-Alpine competition, especially in lending to the construction industry, the Italians' traditional expertise. Lyon has eight Italian banks;

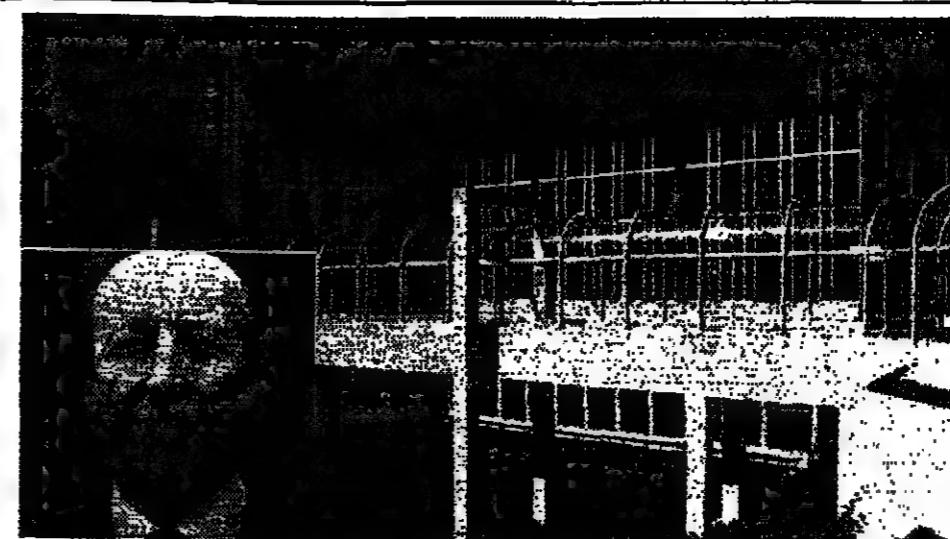
Euro-bank site should be at the centre of gravity of the EC's political map.

Some would say that Lyon's campaign is a long shot, given the uncertainty hanging over monetary union – and, therefore, the need for a European central bank in the wake of the recent upheavals in the European Monetary System. Mr Barre is undismayed. He is among those who believe it quite possible that seven or eight European countries – Germany, Benelux, France, Spain and Italy – may switch to a single European currency towards the end of the decade, leaving the rest to join the core of the new system later.

Whether Mr Barre's campaign succeeds or fails, it does underline a change in French attitudes – the slight shift of power from Paris to the provinces over the past 10 years.

"I am a great partisan of decentralisation," says Mr Barre. "But it is not enough to create regions with powers when so much of the administration remains concentrated in Paris."

W.D.



Mr Joël Picard is deputy managing director at the giant co-operative bank, Crédit Agricole du Sud-Est, whose network of 251 branches has caused complaints that it has under access to cheap funds

A former prime minister of France leads a crusade

Archetypal Lyonnais

is likely to be made by European Community governments, one year after the final ratification of the Maastricht treaty on European political and monetary union, possible in the second half of this year, Mr Barre believes.

Thanks to his efforts, Lyon has waged a much more visible campaign for the honour than other candidates such as Amsterdam, Edinburgh, Stras-

bourg, Luxembourg – or even Frankfurt itself.

In this, Mr Barre's crusade has the discreet support of the French government, aware that attempts to attract the bank to Strasbourg, the main rival French site, is very unlikely to succeed because of the presence there of the European Parliament.

The egg-headed Mr Barre looks and talks like an archetypal Lyonnais, jovial and fond of the good things of life.

Yet like many French politicians his real roots are well outside his local power base; he was born in the Indian Ocean island of Réunion and he is married to a Hungarian.

"To have the bank here will be good for Lyon, for the internal balance of France and for the balance of power in Europe," he says, taking a

brief rest in his Lyon headquarters during his weekly whistle-stop tour of his inner city constituency. "Whether we succeed or fail, there will be an advantage in it for Lyon because it will be better known internationally."

Lyon's natural claim, he says, rests on its 500-year history as a banking centre, good road, rail and air links to northern Italy and Spain and western Germany, and its position at the geographical and cultural divide between north and south Europe.

He points to other international bodies which have chosen Lyon for their base for similar reasons – Interpol, the international police organisation, and Euronews, the European television news service which, symbolically, started broadcasting from Lyon at the dawn of the single European market on January 1, 1993.

But why should Lyon have a claim rather than Paris? "I have long been preoccupied by the concentration of activity in Paris. Other cities now need to become, if not as an important centre of activity as Paris, at least a balance. Lyon is, after all, the capital of the French provinces," says Mr Barre – quoting Albert Thibaudet, the early 20th century literary critic.

He uses a similar argument to justify Lyon's claim for the

banks against other non-French candidates. "All the centres of EC decision-making tend to be concentrated in northern Europe. Since the enlargement of the EC to include Spain and Portugal – economies with great potential – the south has acquired a new importance. Lyon is exactly between north and south, and belongs to both at the same time," he says. Its close political and business links with Barcelona, Milan and the powerful German region of Baden-Württemberg reinforce this claim.

Mr Barre is far too decent a man to knock the competition, but he argues, nevertheless, that Lyon has important advantages over rival sites. Frankfurt, home to the Bundesbank, poses an obvious political problem; there would be a concentration of monetary power in German hands. Apart from that, Mr Barre sees Amsterdam as the nearest competitor, because of its banking industry and agreeable quality of life.

However, the Dutch city suffers from the disadvantage of a northern position, which runs against the claim that the

candidate "is a great partisan of decentralisation."

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Grenoble buzzes with technology research

Innovating is a tradition

GRENOBLE'S post-war transformation from obscure little French industrial town to France's biggest technology research centre outside Paris is part accident, part industrial planning by an active local government.

Its high-tech image was forged a few weeks ago with the publication of a parliamentary report claiming that Grenoble might be unwitting host to a Mafia network. This has provoked a firm denial from Mr Alain Carignon, the town's RPR mayor and it promises to be a strong local theme in the run-up to next month's parliamentary elections, in which Mr Carignon is planning a return to national politics.

Underneath the pre-election alarms and excitements, Grenoble has reason to be content with its lot.

At the end of the last war, Grenoble was "really mediocre, dull little town, even a national joke," explains Mr Josée de Leiris, deputy mayor and university professor. "On average we have had one new big science establishment coming to Grenoble every 10 years. Today, people tell us we have too many. I can't agree."

company investments, around which have sprung a vigorous community of small high technology producers.

Isere produced 1,433 new companies in 1990 – the first year of the economic slowdown, when unemployment stood at just at 8 per cent against a national norm now two points higher.

Many of the start-up businesses founded by local executives, or spun off from the research departments of Grenoble's four universities, have quickly died. "Too many of them have a product, but nothing else," mourns Mr de Leiris.

With its industrial past in part to the influence of one or two local decision makers – such as Louis Néel, the Nobel prize-winning physicist who was posted there during the war, and the Merlin family, founders of the Merlin Gerin electrical equipment group.

They were influential in persuading central government to set up the CNRS national centre for scientific research in Grenoble just after the second world war. This was followed, 10 years later, by the CERN nuclear research centre, and, joined, in the mid 1960s, the Laboratoire Franco-German neutron laboratory.

The latest, scheduled to start operating later this year, is the Synchrotron, the FF 2.2bn particle accelerator owned by 12 European countries which is due to open to users next year.

"Here, within a radius of one or two kilometres, you have leading European laboratories in a whole range of disciplines," says Mr Yves Petroff, director general. One of the things which made Grenoble attractive was the city's willingness to pay for road access to the Synchrotron. "Until

recently, Paris never gave money to technology. Grenoble has been doing it for years," says Mr Petroff.

This is where the town's tradition of several decades of active industrial and economic planning comes in. The late Mr Hubert Dubedout, the Socialist mayor for 15 years until 1983, and a former nuclear scientist, was another pioneer who used his local government resources to help put Grenoble on the map.

He was instrumental in attracting the 1968 winter Olympics – and the infrastructure investment that came with it – as well as launching an ambitious urban development programme, including one of the most efficient public transport systems outside Paris.

But perhaps his most important policy was that of encouraging links between scientific research and industry well ahead of other French towns.

Grenoble's showcase in this respect is the awkwardly named Zirst, a business park which opened in 1978 on the twin principle that tenants must be vetted by a scientific committee. In return for this, the finance for their buildings is guaranteed by the departmental council.

The idea came not from Mr Dubedout, but from the mayor of Meylan, a commune just outside Grenoble; it received full backing from the city. Zirst tenants now include the Cnet, France Télécom's research centre, Merlin Gerin, and Sema, the leading software group.

Mr Dubedout's successor at the town hall, the young Gaullist Mr Alain Carignon, has continued in the same tradition. Under his tenure, the city has funded university chairs – normally the domain of central government – merged the area's disparate economic development organisations into a single powerful body, Grenoble Isère Développement.

He also launched the biggest public investment in the city for years: the Europole business centre, next to the railway station which is now less than three hours from Paris, thanks to the opening of a direct Train à Grande Vitesse (TGV) link last year.

The cost of all this activity has been a sharp increase in the city's debt.

Grenoble's financial problems, however, are mild by comparison with a city like Angoulême, which has had to reschedule its debts.

Mr Carignon's team has trimmed away at Grenoble's borrowings – down to FF 1.45bn last year from FF 1.7bn three years ago – with a programme of privatisations (a growing trend in French local government) and spending controls. Not for the first time, Grenoble is turning to innovative solutions.

But others have flourished, such as Cap Gemini Sogist, founded nearly 20 years ago in Grenoble by Serge Kampf and now Europe's largest computer services company.

On a more modest scale, there are a flock of smaller successful start-ups such as Atrial, an alarm systems maker founded nine years ago by two former executives of Merlin Gerin, the local electrical products group. Atrial now employs 200 people at Croles, just outside Grenoble.

This solid base of skilled research workers and innovative companies has acted as a magnet for large technology projects and electronic

5 MINUTES FROM GENEVA AIRPORT

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RHÔNE-ALPES 4

William Dawkins looks for green shoots in the snow

All eyes on the weather

THE GREEN shoots of recovery are beginning to show in the ski industry, a mainstay of the Rhône-Alpes economy, but they are still fragile.

There are mixed reasons for this in the region which traditionally attracts 60 per cent of all French winter sports bookings. One is fall-out from the 1992 winter Olympics in the Tarentaise resorts around Albertville. Another is two seasons of better snow following three years of dismal half-pistes. Then there is a recovery in consumer spending in the US - an important market for Salomon and Skis Rossignol, the leading ski equipment makers based near Annecy and Grenoble respectively.

The winter Olympics gave the region's ski industry the biggest shot in the arm since the 1988 Olympic games came to Grenoble. Like most shots in the arm, it caused initial pain to the patient - in the form of a decline in winter sports bookings.

ings during the games early last year. Holiday skiers were frightened off by the prospect of crowds and traffic jams.

Excellent December snowfalls attracted them back to the slopes in large numbers. Christmas week ski resort bookings were up by 15 per cent, according to the Rhône-Alpes regional council. But much of the snow had melted by late January. The industry fears that mass cancellations for February, usually the peak month, could ruin the season's good start.

"We are finding a new optimism in the market. But our fortunes are more sensitive to changes in the climate than in the economy," says Mr Jean-

Jacques Bompard, secretary general of Skis Rossignol, the world's largest supplier of skis (under its own name and as Dynastar).

New motorways and express rail lines have been built around the Olympic sites. The Olympics also provided some communes with ice rinks and halls surplus to immediate requirements - a financial headache for some, but an improvement in the capacity of the winter tourism industry.

Whether economic recovery proves real or illusory, both the leading ski equipment groups have long come to accept that they live in a mature market. Skis Rossignol, for example, forecasts that

world demand for skis from all producers should rise from 5.8m pairs in 1991-1992 to more than 6m pairs this season, of which more than a quarter will be Rossignol brands. Yet that only brings sales back to the same level as four years ago.

To guarantee long term survival, both groups have followed a similar strategy: trimming operating costs and diversifying into other sports equipment.

Salomon, the larger of the two companies with sales of FF1.5bn last year, was the first to diversify beyond its core business of ski-bindings, in which it is world market leader with a 44 per cent share. In 1992 it bought Taylor Made,

a US golf club maker which has since prospered. Then came an innovative ski model, made of a single shell rather than the conventional sandwich design. Since its launch in 1988, this model has taken at least a fifth of the market for skis priced at FF12,000 and up.

"We could have bought a ski company, but there would have been no point because we would have had to invest in complete retooling for our new design. I am glad we started from scratch," says Mr Jean-François Gautier, the young chief executive brought in two years ago by Mr Georges Salmon, the retiring company founder.

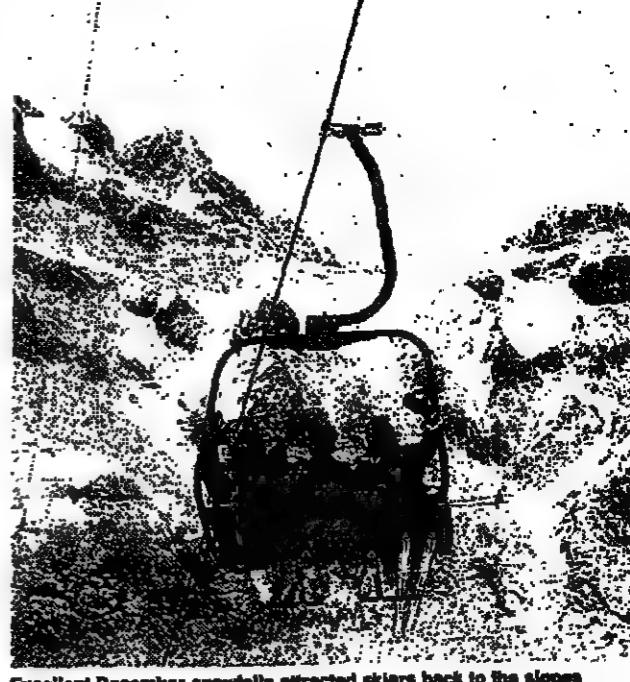
The group had to suffer 380

French job losses two years ago - a serious blow to the small lakeside town of Annecy. Since then, however, it seems to have turned the corner.

Rossignol, which still devotes 64 per cent of turnover to skis, has followed a slightly different diversification strategy. It began in 1977 with the launch of a line of tennis rackets which has since proved a flop. Rossignol stopped production in France last year and has now turned to Asian subcontractors.

Rossignol's main diversifications outside skis are its two lines of ski boots, its own and Lange, a maker of competition boots it bought in 1989, which now account for nearly a fifth of its sales and 11.5 per cent of the world downhill boot market.

Rossignol's recovery has been weaker than Salomon's, but Mr Bompard is expecting a profit this year. Everything hinges on the weather.



Excellent December snowfalls attracted skiers back to the slopes

A saint's blessing

Wine...
and
song

RECESSION has hit the pockets but not the spirits of the 20,000 people who earn their living from making and selling Beaujolais. It is, perhaps, Rhône-Alpes' best known product internationally.

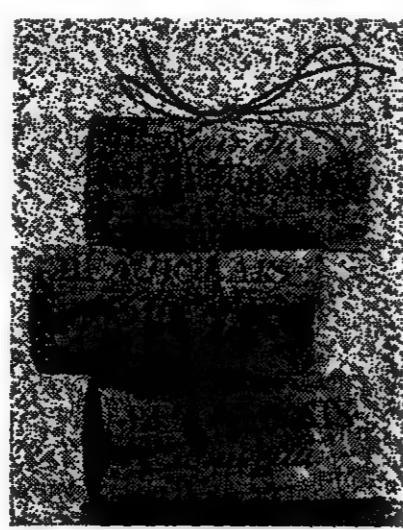
The mood was jovial as the wine growers around Aune, in the south of the area that produces Beaujolais Nouveau, gathered for their annual seven course lunch on St Vincent's day last month, to celebrate the wine industry's patron saint.

As foil-covered numbered bottles were passed round for a blind pre-lunch tasting, the consensus was that the wine to come on to the market next autumn would be of excellent quality. Riotous singing floated up to the rafters of Aune's Maisons Rurales as celebrations were on through the late afternoon.

Like the rest of the French wine industry, Beaujolais has recently been through hard times.

Wholesale prices fell by an average of 27 per cent last year for Beaujolais Nouveau, the refreshing young wine released world wide every year in the third week of November, which accounts for half the region's production of 170m bottles a year.

Prices now stand at their lowest since the 1960s, and well below some growers'



production costs, says Mr Gérard Canard, director of the Union Interprofessionnelle des Vins du Beaujolais, the local wine industry association.

Prices have been lower for the higher quality Beaujolais Villages which, unlike the so-called *primeur*, can be drunk up to two years after bottling and represents another quarter of Beaujolais output. The highest quality Beaujolais wines, the 10 crus such as Morgon and Brouilly, have never been known to sell below cost.

"Prices had risen to unmanageable levels in 1989, so this is no great surprise,"

Even so, he says, growers of the cheapest Beaujolais Nouveau have experienced "some difficult situations." Fortunately volumes have kept up, with an estimated overall rise in sales of five or 10 per cent last year. Within this, exports rose by 26 per cent in volume - but were static in value - in the first 10 months of 1992.

W.D.

The Beaujolais industry remains a striking mixture of craft production and international marketing clout. Typically, Beaujolais wine properties are owned by small family businesses, unlike the food and quality goods giants which dominate Bordeaux and Champagne.

Bottling, distribution and marketing is handled by a handful of large wholesale merchants such as Georges Duboeuf or Ferrand - a function of the investment required to deliver 80m bottles across the world in the few weeks during which Beaujolais Nouveau is marketed.

This is why merchants handle a much higher proportion of Beaujolais sales - on average 35 per cent, Mr Canard estimates - than they handle in other wine-making regions of France. However, the proportion of direct sales has gradually risen in recent years, as supermarkets and the catering business seek keener prices by cutting out the merchants.

The Beaujolais tradition of releasing at least half the region's production over a period of just a few weeks is partly historical accident, partly marketing technique. In the early years of the century, the so-called Beaujolais primeur had an even shorter shelf-life than it has now - by Lyon brasserie owners used to order it by the barrel before it had even finished its four to five day fermenting period. When some bar owners started putting up notices proclaiming that the Beaujolais Nouveau had arrived, the wine merchants saw a marketing opportunity.

"The merchants have played a very important role in marketing us," says Mr Canard.

Their ability to keep export sales rising steeply during a world recession indicates that Beaujolais merchants have not lost the knack.

"The Chartreux rules oblige them to work for a living, unlike the mendicant monastic

ONE OF the oddest businesses in Rhône-Alpes must be Chartreux Diffusion, which exists not for pure profit but to support a silent, mountain-bound, religious order.

Chartreux Diffusion's mission is to sell the fragrant green herbal liqueur of that name, and other drinks, bearing the brand of the Chartreux, or Cartusian, monastic order.

With sales more or less static at FF1.5m a year, and 48 employees, Chartreux Diffusion is based in a motley collection of warehouses and cellars in Voiron, an industrial town in the valley beneath the high mountain stronghold of the 11th century monastery of the Chartreux fathers.

Majority-owned and controlled by the religious order, it employs lay workers and is run on the fathers' behalf by Mr Jean Marc Roger, a local businessman.

Beyond cultivating and preparing the liqueur's 130 ingredient plants in their monastic gardens, the fathers play little part in the daily operations of the business.

Two of them descend to the valley at intervals to operate the distillery, which produces 1m bottles a year. The monks receive a special dispensation to speak for business purposes, explains Mr Philip Boyer, who is in charge of external relations.

"The Chartreux rules oblige them to work for a living, unlike the mendicant monastic

orders. Distilling is the ideal job for them because it demands so little labour," Mr Boyer says. Labour-intensive storage, bottling and sales are left to the lay employees.

The company sells a steady 48 per cent of its output abroad, relying on its natural mystique to attract custom.

Spain is the biggest market outside France, taking 25 per cent of exports, followed by the US with 10 per cent.

A recipe for a powerful green health elixir (as with Coca Cola, the recipe is a trade secret) was donated to the Chartreux fathers in 1665 by Marchal d'Estries, the legendary French field marshal. It

took the monks more than 100 years to work out how to make the remedy, 40 per cent volume. Thirty years later, in 1764, the monks produced the milder green liqueur based on the elixir, and this is their main product today.

The elixir itself is still available.

W.D.

'Distilling is the ideal work for monks'

Heavenly spirit



able. There is a increase in demand for it in Japan - not as a drink, but as a hair tonic, says Mr Boyer. "It might seem odd, but there could be some active herbs in the mixture."

The fathers nearly lost what is now their main source of income when Napoleon seized the recipe in 1810, during a general round-up of all secret remedies which might prove useful to the state. He returned the document a few months later, stamped "refused" - to the fathers' lasting relief.

Chartreux Diffusion's main customers are supermarkets and the hotel catering business. With un-monastic commercial aggressiveness it has to fight its corner against other drinks brands, Mr Boyer says.

It also has a traditional direct marketing programme in local ski-resorts, where holl-daymakers on their first night are offered "Green Chaud." The latest in Chartreux Diffusion's menu of Chartreux-based cocktails, "Green Chaud" consists of hot chocolate plus a dash of the liqueur. The idea of this made the fathers laugh, says Mr Boyer, but it has gone down well with skiers.

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PERSONAL AND PORTABLE COMPUTERS

SECTION III

Friday February 19 1993

The computer industry today bears little resemblance to its counterpart of a decade ago. Younger, more agile competitors are moving in the direction of more compact, more flexible and more portable personal computers. Alan Cane reports

Challenge of the notebooks

INSURANCE ASSESSORS inspecting the damage caused by Hurricane Andrew in the southern states of the US last year took part in a novel experiment. They used a hand-held computer which was able to accept handwriting and also to determine its geographic location by reference to a satellite signal – an essential capability with roads and streets damaged or vanished. A linked video camera provided a complete photographic image of the devastation.

The experiment points to the future use of portable computing – and to the way the computer industry is going. Today's computer industry bears little resemblance to its counterpart of a decade ago and rapid change is still the order of the day.

Personal computers and their more powerful cousins, workstations, are the key contributors to the shift which has seen yesterday's industry leaders cast down in favour of younger, more agile competitors, and a decisive swing away from traditional mainframe-based data processing.

The leaders of the new industry include Microsoft, the software company which sells, MS/DOS, the most popular operating system, Intel, the semiconductor house which makes the microprocessors used by the majority of PCs, and Novell, which markets the most popular

networking software.

It has become a world where the owners of the key technologies have the whip hand. Computer makers are, in a sense, simply distributors of that technology. For the future, therefore, there is a powerful incentive for companies to establish their proprietary technology as an industry standard.

Digital Equipment, for example, a company which missed out on the personal computer revolution the first time round, is trying to establish its Alpha microprocessor, the first commercial 64-bit risc chip, as a standard for power computing. It faces competition from IBM, Hewlett Packard, Sun Microsystems and MIPS.

IBM is still the world leader in personal computer sales, with revenues from its PC business of between \$10bn and \$12bn a year. The European leader is Olivetti of Italy, while NEC has a commanding lead in Japan by virtue of its proprietary design.

Now the personal computer industry is beginning to experience, in its turn, the wind of change as portable computers in a broad range of sizes and designs begin both to make inroads into the desk-top market, and to make personal computing available to a new generation of potential customers. About 20 per cent of all personal computers bought today



Spotted for choice: some of the ever-growing range of personal computers on display at PC World

which cost more than £4,500 in 1983 now costs £500. There are indications that prices could fall a further 20 per cent this year causing problems for manufacturers and distributors alike as slim profit margins are squeezed further.

It seems likely, however, that prices are stabilising and that PCs will become richer in features rather than cheaper. There are now comparatively few PC components on which prices can fall further. An exception is active matrix flat colour screens, manufactured principally in Japan and used for top-of-the-range portable and laptop machines. The percentage of useable screens obtained from the manufacturing process is still disappointingly low. When it improves, prices will fall rapidly.

Many trace the latest phase in the PC price war to June 15 last year when Compaq, a US company which had been a world leader in high performance PCs, announced a plethora of new products along with price cuts of up to 32 per cent. New ranges of low-priced models were announced.

The effect was electric. 1992 was the year of the no-name manufacturer. When companies without much track record gained market share at the expense of the well-known names, selling on price and a realisation among customers that a well-known brand name was no guarantee of extra quality. Examples of name clone makers include Elomex in the UK and Vobis in Germany.

Nevertheless, according to Dataquest, European PC suppliers experienced a surge in demand in the second half of 1992. According to Mr Chris Fell, director of Dataquest's PC service, the surge represents a blip in spending as the market takes advantage of the price wars. "Shipments will certainly remain strong into the early part of 1993, as manufacturers struggle to fulfil a backlog of orders. We will have to see if the demand continues through the summer, although we feel a return to more modest growth is inevitable later in the year."

Companies across the world are no longer spending money on computing as they did in the past. Total investment in computer systems – mainframes to notebooks – was \$100bn in 1992, \$3.5bn less than in the previous year according to the US consultancy Dataquest. These numbers reflect the effects of the recession, the falling cost of computer hardware and a tougher attitude among senior executives.

IBM researchers envisage a range of tiny, personal machines which can be modified for different purposes by plugging in adaptor cards – a global positioning device to work with an on-screen map, for example, or a colour video camera. Mr Jack Kuehner, IBM's most senior technologist, describes the strategy as akin to "razor and razor blades".

The personal computer is the razor. The core business will be providing the "blades" of on-line services, communications and information.

IBM is not alone in anticipating huge potential demand for

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Editorial production: Roy Terry

we began implementing our new strategy of offering price-leading products that feature Compaq quality and the best service and support in the industry."

Later in the year, IBM announced its own strategy: four separate product sectors, each serviced separately. A new, wholly-owned subsidiary was established in Europe to compete, apparently successfully, with the lowest cost no-name suppliers without hurting IBM's quality image. It also introduced a budget line worldwide – the PS/Valuepoint systems designed to compete against lower priced offerings from Compaq, Dell and the like. These lower priced machines have been selling well. The turnaround at Compaq and IBM suggests that if prices are comparable, customers will opt for the name brand. Prepare for further blood-letting this year. By comparison, Hurricane Andrew was a breeze.

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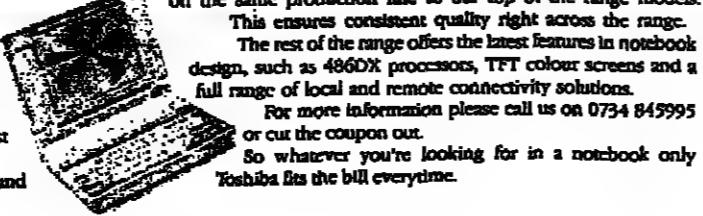
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PERSONAL AND PORTABLE COMPUTERS 2



A Toshiba notebook portable on the move

The Japanese challenge

Second fiddle in the west

IN THE context of global PC markets, Japanese manufacturers have generally had to play second fiddle.

In contrast to their position in their own domestic market, where Japanese manufacturers have been able to keep a tight hold on consumers, their presence overseas has been singularly unimpressive.

"The reason why Japanese manufacturers are not doing so well in the US and Europe is because US manufacturers are so strong," admits Mr Takashi Kuwahara, general manager of the international personal computer product marketing division at NEC.

In Japan the dominance of NEC's proprietary system and the difficulty of the Japanese language have made it difficult for foreign manufacturers to penetrate the market.

NEC, for example, which makes IBM-compatible machines, says that it is always a step behind IBM in bringing out advanced models because it has to test about 100 important software applications every time it launches a new machine.

Another difficulty Japanese PC manufacturers face abroad is the need to rely on sales of stand-alone machines, rather than systems integrated products, says Dr Shigenori Matsushita, general manager of the planning and co-ordinating office in Toshiba's information processing and control systems group.

This is because computer systems are very closely tied to the culture of each particular country so that it becomes necessary to employ expensive engineers - a risk which most Japanese companies have not been eager to take.

Obstacles, such as the above, to Japanese penetration of overseas markets, lead NEC's Mr Kuwahara to conclude that "Japanese (PC) manufacturers will not become a threat to western manufacturers".

Having failed to make much of an impact in terms of market share, the Japanese strategy has been to concentrate on high value-added products.

"We are working to maintain high performance and high quality and not get involved in price wars," says NEC's Mr Kuwahara.

Mr Kuwahara compares NEC's strategy to that of Mercedes-Benz or Audi in the car market: both are products which have kept to their own independent marketing strategies regardless of overall market trends.

That may sound like little more than trying to put a brave face on an impossible situation but a high value-added strategy may not be such a bad one for the Japanese, particularly when combined with their strength in PC components.

"As PC vendors, the Japanese have about as low a profile as you can get in contrast to what they've managed in other areas," says Mr Mike Jeremy, electronics analyst at Baring Securities in Tokyo.

But in terms of the components that go into a PC, the Japanese have a very high profile. They are leaders in integrated circuits, particularly DRAMs, in floppy disks and in flat panels.

"If you apply the strategy of the parts to the whole, the Japanese have a very successful PC strategy," Mr Jeremy says.

The edge that they have in components, particularly in some of the promising new technologies such as flat screens and small batteries, could in future strengthen their overall position in the PC market.

Just as Toshiba was able to capitalise on its early entry into the laptop and notebook PC market, an early entry into new technology areas could give the Japanese just the break they need.

Industry experts expect some of these advanced technologies in which the Japanese excel to become more popular as their prices fall over the next few



PERSONAL computer price wars have broken out across Europe. During the second half of 1992, the large established groups, such as Compaq, Hewlett-Packard and IBM of the US and ICL of the UK, admitted PCs had become commodity products.

The branded companies decided to take on the close manufacturers at their own game. Prices were slashed and low-price models launched. In the UK, average prices for PCs using the 386SX chip fell nearly 30 per cent from £2,074 to £1,479 between 1991 and 1992, according to Comtex, the London-based market research company.

The situation is still deteriorating - at least for manufacturers, if not consumers. Mr Bruce Sinclair, vice-president of Northern Europe for Dell Computer, reckons the price of a 386 workstation has fallen by 50 per cent to about £1,000 over the last 12 months, depending on configuration.

Infocorp Europe, the Paris-based market research group, expects prices to fall 15 to 20 per cent during the first half of 1993.

Japanese manufacturers sell high performance machines at high prices but the market does not want that now," says Mr Katsuji Shiga, an analyst at Dataquest, the high-technology market consultancy.

When the environment for such new technologies improves, however, they could become strong weapons for the Japanese, Mr Shiga believes.

Among the promising new technologies in which Japanese manufacturers have a leading edge in are thin-film transistor (TFT) colour liquid crystal displays (LCDs).

In fact, the Japanese dominance of the TFT market is such that US attempts in the US to impose an anti-dumping duty on Japanese-made TFT-LCDs caused an uproar among US users which depended on products from Japan.

Unlike passive colour liquid crystal displays, TFT colour LCDs are easy to read even when viewed from a slight angle.

The problem, however, has been the high price of PCs which use TFT displays and it will take some more years until prices come down to more acceptable levels.

This could happen in about five years' time as consumer electronics manufacturers have been working hard to use TFT colour LCDs in their products and once the TFT ball starts rolling in the consumer electronics industry, volumes

The presence overseas of Japanese manufacturers has been singularly unimpressive

could rise steeply bringing prices down dramatically.

Japanese manufacturers also have an advantage in their manufacturing technology, says Dr Matsushita.

Surface mount technology used in notebook PCs, for example, which allows printing on both surfaces of a printed circuit board and therefore greater compactness, is a technique perfected by the Japanese.

Meanwhile, as they continue to work on developing these technologies further, Japanese manufacturers will want to speed up a long overdue review of their overall marketing strategies for domestic and overseas markets.

Until quite recently, Japanese manufacturers have been able to maintain high prices in the domestic market. This means that they have not participated in the price wars that have spread through western markets.

However, in the past few months, US manufacturers such as Compaq and IBM have begun to present a previously unseen challenge to the domestic manufacturers' stranglehold on the Japanese PC market.

In a bid to spread the use of its bilingual operating system, DOS-V, IBM set up the Open Architecture Developers Group (OADC) in Japan two years ago. The American giant invited other hardware manufacturers, both foreign and domestic, to back its standard as an alternative to NEC's 9800 PC series.

OADC has so far brought together more than 25 manufacturers, and if it has not helped the fortunes of all of its members, it has certainly raised the profile of IBM in Japan.

Then in October last year, Compaq shocked the Japanese market by announcing a range of desktop PCs priced at about half of what it would cost to buy comparable machines from a domestic manufacturer.

Compaq's move was soon followed by price cuts from IBM, NEC and most recently, Fujitsu.

That the spiral of falling prices is unlikely to end just there was signalled when Compaq announced a further cut in prices this month.

Michiyo Nakamoto

the end of the year, Compaq still had two months of back orders to fill.

However, Ms Marye Tonnerre, industry analyst at Dataquest in Paris, says once these early problems began to be overcome in the last quarter of last year, the floodgates opened and prices tumbled even faster.

The price has driven volume growth. Dataquest estimates the European market will have increased by 11 per cent last year, a reversal of the previous four years which witnessed slowing growth rates.

Meanwhile, so-called no-name manufacturers such as Vobis in Germany and Elmetex in the UK have continued to do well.

In Europe, they increased their share of the market from 8.1 per cent to 9.1 per cent, according to Infocorp.

The switch for most of the groups from high-technology high-price companies to high-technology low-price distribution has created an enormous culture change. The price cuts have squeezed margins for the PC manufacturers.

Put simply, they launched cost-cutting initiatives. Dell Computer, for example, launched a cost-containment drive during the second half of

last year called "Cost-busters".

"Anything that did not add value was cut," says Mr Bruce Sinclair at Dell Computer.

Through the programme we reduced operating expenses from 20 per cent of sales to 16 per cent of sales. Meanwhile we were doubling the number of worldwide employees."

Measures taken at Dell included changing the car policy so that not all managers automatically had cars. Pay policies were changed so that the salaries of 40 per cent of the workforce were linked to performance.

During the third quarter, salaries were frozen and employees offered 50 share

options instead. Distribution costs are also being slashed. Dell Computer has always sought to minimise its distribution costs through direct selling. The company reckons 90 per cent of its European sales are through internal channels.

It has also rationalised its logistics by centralising warehousing at Limerick in Ireland, where its new plant is capable of configuring computers for European local markets. This cuts down inventory in local markets.

"What is so encouraging about the last 12 months is that it shows the established PC manufacturers are capable

of change. They have become lean and mean," says Ms Tonnerre at Dataquest.

Meanwhile, European retailers are also having to adapt to the price wars. The squeeze on margins sent at least 20 per cent of computer dealers out of business last year.

Warehouse-style superstores are being set up in the UK in an effort to emulate US practices. Whether these superstores are successful remains to be seen.

Costs such as real estate and labour in Europe are equivalent to 20 per cent of turnover compared with 8 per cent in the US.

As one PC manufacturer points out, costs in Sweden are rather different than in Austin, Texas.

The full impact of the price wars on the structure of the industry is yet to be determined, according to Dataquest. But some winners have emerged.

Compaq's share of the European market increased from 6.4 per cent to 8.5 per cent between 1991 and 1992, according to Infocorp Europe.

Hewlett-Packard also improved from 1.7 to 2.4 per cent: it shipped as many PCs in the last four months of 1992 as it did during the previous

eight. Meanwhile Dell's market share rose from 1.1 to 1.7 per cent. ICL, thanks to its acquisition of Scandinavia's Nokia Data, rose from 1.8 to 2.8 per cent. Vobis of Germany almost doubled its market share from 2.8 to 4.8 per cent.

Olivetti of Italy fell from 6.6 to 6.4 per cent and ZDS of France dropped from 3.2 to 2.7 per cent. Toshiba, the specialist portable computer group, had a tough year, but maintained its market leadership, although Compaq is fast catching up.

Infocorp Europe predicts the PC market will be polarised between the large groups, capable of pushing down production costs through efficient purchasing and economies of scale, while spreading marketing and distribution costs over very large volumes. Small groups will continue to maintain some competitive advantage, given their proximity to clients and their flexibility and high service levels. It expects that many groups in the middle ground will find it difficult to survive.

The companies that succeed will be those with a wide product mix that allows them to address different vertical markets, says Ms Tonnerre at Dataquest.

Those that survive will also have to get their prices right and sort out their logistics effectively.

"There will undoubtedly be a shake-out during 1993. Some companies will not exist by the end of the year," she says.

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The Power Of Choice

APPLE'S determination to plough its own furrow, away from the fertile fields occupied by IBM PCs and their clones, rarely seemed as justified as it did in 1992.

While IBM, its arch-rival in the world of personal computers, posted a loss for the final quarter of \$5.46bn, the highest ever in US corporate history, Apple finished the year on a high note. Quarterly profits were \$161.3m on record sales of \$2bn, close to the level made by IBM's personal computer division. Sales of the Powerbook range of portable computers alone were worth about \$1bn in their first full year on the market. The company's share price reflected the mood, almost doubling in the second half of 1992.

One of the factors behind this performance has been an explosion in the company's product range. By the end of this year, Apple will have launched more products than ever before in a two-year period. New arrivals include the Powerbook Duos - port-

able computers sold with adaptors that turn them into desktop computers - colour screen versions of older models and additions to a range of high-powered, high profit margin machines, the Quadras.

This marketing-led proliferation of brands reflects the priorities of Mr John Sculley, Apple's chairman and chief executive, who was recruited from Pepsi-Cola in 1983 to replace the boffins who began the company in the 1970s. In spite of Mr Sculley's marketing credentials, the current brand management philosophy is a more recent arrival.

"Two years ago there was a change of strategy," says Ms Jane Burley, Apple's UK regional group product marketing manager. "From being a middle-of-the-range desktop computer maker, we moved both upmarket with the Quadras, and downmarket with the Classics and LC models."

Since then, the upmarket Quadras have consolidated their position as the first choice for design studios and publishers, with the help of some price cuts. The move downmarket was largely a matter of cutting the prices of



Driving force: Apple Macintosh's new Powerbook range

Daniel Green on the strategy of IBM's arch-rival

Every variety from Apple on display

older models. It culminated at the end of 1992 with the price of the cheapest Apple falling below £100.

Although the approach boosted short-term finances, there have been problems behind the scenes. The price cuts and wide range of products boosted sales too much. Last quarter saw turnover 7.4 per cent higher than a year earlier, but margins were eroded and profits fell 2.8 per cent. Still worse, the company was unable to keep up with the demand for some of its prod-

ucts. Potential buyers were turned away as demand outstripped the supply especially of Powerbook portables and the budget models sailing into the Christmas market.

The price of the bottom-of-the-range Classic has now risen again and the company is busy mollifying frustrated customers.

Apple's financial performance, especially compared with other computer hardware suppliers, has also suffered from the fact that the company faces an ever-growing chal-

lenge on the software front from Microsoft's Windows programmes.

Like Apple software, Windows uses striking graphics to appeal to non-technical buyers. This is more than a matter of pretty packaging: when a computer is easy to use, employers have to pay less for technical help. A survey by market research company Gartner Group shows how expensive it can be to assist the users of unfriendly computers. The cost of owning personal computers based on the old IBM personal

computer software, DOS, is one quarter higher than using Windows on a similar computer and 50 per cent more expensive than Apple.

Much of the history of Apple has been about the battle between such technical advantages of its software and the marketing of microchip power by IBM and its sales-driven followers such as Dell and Compaq. The arrival of Windows represents a recognition by Apple's rivals that software is as much part of marketing a computer as the model number of its microprocessor.

Apple's response has been twofold. In the first instance it has established a set of alliances with IBM itself. The aim is to share the costs of developing the building blocks of the next generation of personal computers. The ventures include Taligent in software more suited to screen graphics, and a tie-up with electronics company Motorola to build a more efficient kind of microchip using the "reduced instruction set computing", or

Dauphin Technology of Illinois has announced a computer to compete with the Newton

Risc, approach.

The second response is to try to take the friendliness of its technology to new heights. It is driving hard into a new area of computing called "multimedia" in which text, moving pictures and sound all form part of the application.

More dramatic still is its proposed Newton computer, designed to accept handwriting instead of typed-in words and commands. The company has signed alliances with Japanese electronics companies Hitachi and Sharp to develop products associated with the Newton.

These ideas have immediate appeal, but Apple is not alone in its efforts. At least one company, Dauphin Technology of Illinois, has announced a \$3,000 computer that it says will compete with the Newton. And last month IBM itself set up a venture in multimedia on which it promised to invest "tens of millions of dollars".

Apple's world is a fertile one and it has in recent months reaped some of its rewards. But the computer industry moves quickly and for Apple to maintain the momentum it gained in 1992, multimedia and the Newton must succeed.

COMPUTER games are a serious business. Playing one on a portable computer cost a Birmingham Midshires Building Society salesman his job last year. The society insists that its employees avoid exposing its computers to any risk of a virus. And computer games are a prime source of damaging bugs. Introducing one is regarded as a breach of contract.

Birmingham Midshires uses NCR/AT&T Safari portable computers to sell life insurance and mortgages to potential buyers at home. The portable gives its salesforce the means to calculate and demonstrate mortgages and pension packages. This accelerates the sales process, but leaves the sales staff holding sensitive data on a machine that attracts thieves. And any bug on the software could infect branch computers when sales data is fed down the network.

The building society has spent £300,000 insuring its 30 salesmen with the machines and associated software, notably a security package from Fifth Generation Systems called Safe. Three portables have been stolen in the last 12 months. The object of Safe, which evolved from a product called Triumph, is to make sure the thieves are left holding an attractive but useless piece of hardware.

Safe is a package that makes our data totally secure, you put the sensitive data on the hard disk and you can't access it without going through three levels of password," says Mr John Edkins, who is manager of business improvement at Birmingham Midshires. "Provided he follows the rules, no thief will benefit from confidential information provided to Birmingham Midshires. A stolen portable can be used again - but only by installing a new hard disk.

Safe also limits how far unapproved software, notably games, can go on the portable. A game can be played, but only if loaded with its own disk-operating system. Only the head office has the ability to copy software from the A drive to the C drive of the hard disk. Software is copied from a central

computer via a modem at branch offices.

The society's employees are not issued with disks. This reduces the danger of contamination by computer virus. And the copying limitations make it difficult for a member of staff to copy client lists before giving notice.

If these security precautions sound unflattering to Birmingham Midshires staff, there are significant compensations from using a portable PC. The technology dispenses with the need to leave books of life insurance and mortgage rates from door to door. Administrative work at branch office is reduced to downloading software via the modem. This leaves the salesforce free to concentrate on selling.

"The sales people like it and

the object of Safe is to make sure thieves are left holding a useless piece of hardware

the clients are very positive. We've had some clients take over the PC and enter their own details." Mr Edkins is convinced the portables have paid their way. "Perhaps 30 per cent of sales are now attributed to the technology. At around £3,000 a machine, one extra mortgage sold will pay back the value of the system."

One company that relies on portables and knows the reality of the virus threat is Reflex Magnetics. Reflex is a media duplication house, supplying disks and tapes across the computer services sector. Mr Andy Campbell, the sales director, who is entirely free from portables, with master disks arriving by the dozen to be mass-replicated, has always been aware of the danger.

Nevertheless, the company eventually did load a virus by accident. It was uncovered and dealt with during testing, but the incident made an impression. Once bitten, Reflex decided to write its own security program. Most virus incidents can be traced back to the floppy disk, Mr Campbell says. "So we came up with a product that forces us to check any disk before it is loaded." Dis-

knet costs £29 and will not allow the user access to the hard disk unless his floppy has been cleared for bugs by virus-scanning software. The correct password must also be entered. The A drive can still be employed, but data held on the hard disk is protected.

Mr Campbell is pragmatic about the extent to which Disknet can guarantee security. "Any security device can be cracked if you have enough knowledge and time. Our technical director does his development work on a portable. If a commercial rival targeted and stole that machine they would get past Disknet." There is clearly only so much you can expect from a security package. But Disknet is robust enough to be ordered by the RAF and financial services group HFC.

Physical protection through programs like Safe and Disknet needs to be accompanied by security practices. Marlowe Stirling Group writes financial systems for use on portable computers. Mr Jim Deane, MSG's technical director, recommends pulling data back on to a branch computer at every opportunity. This is known as docking, and reduces the client's exposure to staff defecting with valuable files.

The incentive for field sales personnel to co-operate with docking is that it speeds up the processing of a new policy or product.

The pharmaceuticals arm of ICI, recently re-named Zeneca, issues its salesforce with Sony 386 portables. The machine comes with a removable hard disk and ICI adds its own security software. But that is not considered enough. ICI issued internal guidelines on the security of information, dividing it into what can be carried off-site and what can be held on a laptop.

"You're in the game of prevention," says Mr Graham Burton, information systems manager at ICI/Zeneca. "You should prevent sensitive information being put on portables in the first place." He acknowledges that this places a limitation on the use of the system, but that is a price he is willing to pay.

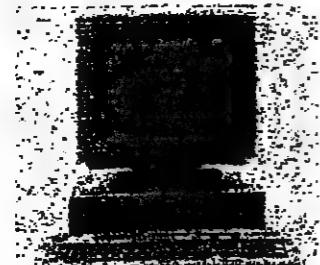
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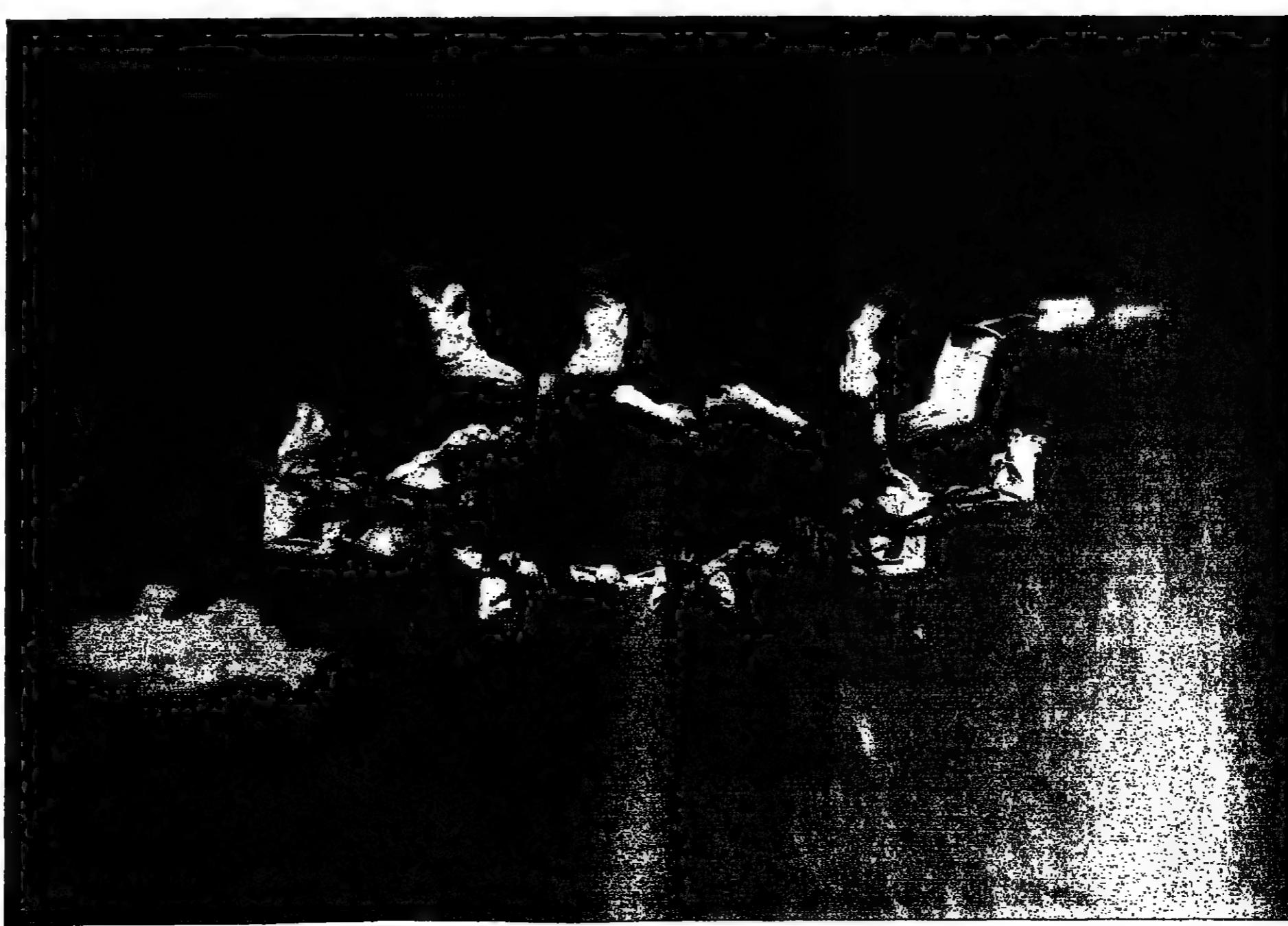
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PERSONAL AND PORTABLE COMPUTERS 4

Michael Dempsey looks at the impact of Groupware

THE COMPUTER software industry has been promising to change the way people work for the past decade. Sceptics might suggest the aim has been achieved, but only in terms of expense and frustration. Enter Groupware.

Groupware is a term coined to embrace programs for people working in teams. It provides an infrastructure to co-ordinate individuals in the group, while ensuring the concurrence of data relating to their work. Members of the group can be scattered across continents. But when they turn to their software environment, the very latest information from all involved is right there.

Groupware offers a godsend to large organisations tackling the logistics of teamwork. The concept has taken off, with Lotus Notes first on the beach.

Notes sits on one dedicated PC which serves up to 50 users. This central core holds material which users summon up, seeing the latest change to the project across the network. Lotus began selling Notes licences for batches of 200 users upwards. The entry investment, at £200 per user, was £40,000.

The appeal was dramatic, with blue chip companies buying licences by the thousand. In the last 12 months the user base has grown exponentially. By March 1992 Lotus

had sold 117,000 licences worldwide. Industry sources suggest that this figure now stands at 500,000.

Notes answers many administrative headaches. Use it for conferencing and it boosts productivity by avoiding duplication of effort. A centrally held diary can fix meetings in one shot, rather than the familiar round of phone calls via secretaries requiring a dozen cancelled appointments before one convenient day can be established.

Groupware is a term coined to embrace programs for people working in teams

But it does have limitations. The dedicated server must run IBM's OS/2 operating system which is greedy in terms of space on a machine and is primarily established among very large corporate users. Each group hangs off one server, but co-ordinating that server to others to form a constellation of workgroups is not easy. A release

for the Unix operating system, offering vastly improved networking capabilities, is imminent.

Management consultants KPMG recently conducted a survey covering 10,000 UK Notes users. The principal problem encountered was actual communication of what Notes does. Within large organisations senior managers still have reservations about whether Notes is

The computer industry can blame itself for this. Groupware arrived in a blaze of jargon. Workflow, a term that has as many definitions as it has adherents, is a typical Groupware spin-off. It refers to monitoring individual effort and directing the user so as to optimise time and effort. But the term is so imprecise that it serves to confuse.

To use Groupware, a company must be comfortable with team structures. There is little point installing Notes if the users work in a fractious environment. Groupware is suited to professional harmony. The user perception is extremely positive.

But corporations that have



Richard Lavender: "a confidence trick in the nicest possible way"

embraced Notes have gone for it in a big way. General Motors has bought nearly 30,000 licences for Notes, through its IT arm, Electronic Data Systems. Mr Mike Thompson, an EDS manager attached to GM in the UK, is impressed. "It's been phenomenal.

The user perception is extremely positive.

A typical GM application is shipping pictures of parts around across Europe to ensure that they are produced exactly to their original specification. And it is evidence of the quality of graphics with Notes.

GM is prepared to entrust Notes with a critical role in maintaining engineering standards. But the GM world already consisted of a massive IT infrastructure and the trained staff to use it. Mr Thompson warns that without this investment Notes will not deliver. "You must take account of the support aspect. You do need a network in place."

BP Oil employs Notes as the framework for its emergency response system. If an oil leak occurs in Germany, staff across Europe consult Notes for site plans, technical diagrams and up-to-the-minute strategies.

Notes maintains information on health and safety rules and their implications for the oil sector on a system that can be accessed by BP staff across the continent.

Lotus has certainly gained acceptance for Groupware with Notes.

But there are other products that do a similar job. Why has Lotus Notes emerged from the PC world to eclipse steady performers like Verimation's Memo or the new Co-operation program from NCR?

Mr Richard Lavender, a senior consultant at systems house Logica, describes the rise of Notes as "a confidence trick in the nicest possible way." The market presence of Lotus as a reputed supplier of PC software was critical. "People knew

By March 1992, Lotus had sold 117,000 licences worldwide

who Lotus were and they already had Lotus products under their belt." And the sales strategy of going straight for large users has been to stay. "Notwithstanding its obvious limitations, Notes is a glimpse of the future. Where there is a need to share data and co-ordinate group activity, there's going to be a need for such a package."

Louise Kehoe looks at tomorrow's world of ultraportables

Smaller, ever smaller

assistants as the seeds for a \$3.500m industry that would be created by the "collision of content, communications, computing and consumer electronics".

"This isn't about taking a computer and shrinking it down," he said. "It's about starting with an entirely new set of principles built around intelligence, built around communications, built around complete intuitiveness... about building some-

thing that is as easy to use as an aim-and-shoot camera or a telephone."

The first version of the much ballyhooed Newton personal digital assistant is now expected to make its debut this summer. It will be an electronic note-pad, a hand-held device that "intelligently assists the user to capture, organise and communicate information," Apple says.

At a recent demonstration of a prototype version of Newton, the device could decipher and store handwritten notes, automatically making entries in a personal calendar, send a facsimile message and send or receive electronic messages via the telephone.

Apple says that the first version of Newton will be priced at "well below \$1,000". It will be aimed initially at business executives, rather than the masses that Apple eventually hopes to attract with its easy-to-use technology.

Price will be an important factor in the development of the market. It is generally agreed that to reach a broader market personal communicators will have to sell for less than \$500 and preferably closer to \$300.

Bringing the expectations surrounding hand-held personal communicators down to earth is important, says Marc Porat, president and chief executive of General Magic, a three-year-old company that is

developing software for personal communicators.

"I am a walking antidote to hyperbole and hysteria," says Mr Porat. "The public is tired of promises that the high-tech industry does not live up to." It may be a decade, or even longer, before intelligent personal communicators become a reality, he stresses.

Nonetheless, General Magic has renewed interest in personal communications devices with its announcement of software that is designed to enable personal communicators from different manufacturers to exchange information.

The company has developed Telescript, a programming language for communications software that it aims to make into an industry standard. Magic Cap is General Magic's software foundation for personal communicators. It provides a "user friendly" face for personal communicators much as Apple's Macintosh did for personal computers.

Companies backing General Magic, and planning to use its technology are Apple Computer, Motorola, Sony, AT&T, Matsushita and Philips.

Motorola, a leader in cellular telephones and paging devices, claims that it will be the first company to bring wireless communications capabilities to personal communicators. "We believe there will be strong demand for fun and easy-to-use devices that will

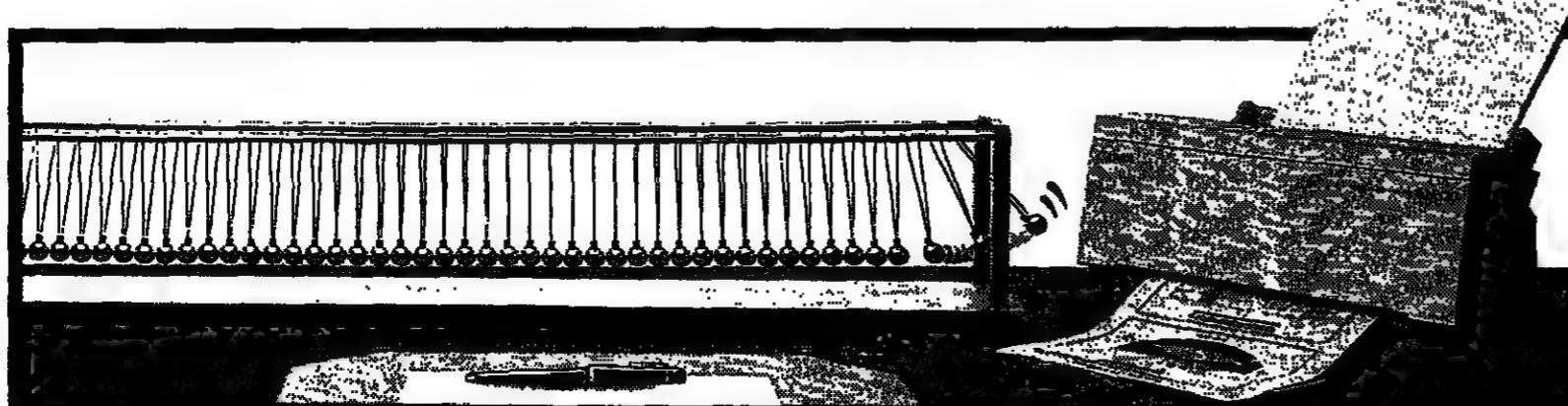
corporate data. Mr Bruno Givens, Verimation's vice-president, admits that both products have their strengths, and can be complementary. "Memo is much cheaper, but rightly so because Notes has more database facilities."

Abbey National's new life insurance wing uses a mainframe based Memo system to co-ordinate its PC environment. NCR's Co-operation links together elements of an existing IT infrastructure. The idea is to maintain the hardware investment but control staff working locally within the overall wide area network. It is a development environment that can be altered to suit individual businesses, offering a shot at the elusive prize of "competitive advantage".

National & Provincial Building Society is implementing Co-operation to keep documents flowing between teams. A typical price for a 100-user installation would be £7,000.

Mr Kenny Maciver, a software analyst at International Data Corporation, has made an exhaustive study of the mass migration to Notes. He concludes Groupware is here to stay. "Notwithstanding its obvious limitations, Notes is a glimpse of the future. Where there is a need to share data and co-ordinate group activity, there's going to be a need for such a package."

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A MUCH more powerful PC microchip called Pentium is soon to be launched by Intel to follow its popular current-generation 486 microprocessor. For PC users or prospective buyers this raises questions about what they should do now. Should they stay with the PC they may already have, or buy the first Pentium-based PC available?

Pentium (which could be considered a 386) leads a pack of new, higher-performance microprocessors that are emerging, such as the Alpha from Digital Equipment and the PowerPC from the Apple Computer-IBM-Motorola alliance. These process data 64 bits at a time compared to 32 bits with a 486.

As each of these microprocessors is designed to provide big performance improvements, a user or prospective buyer needs to know how and when to best upgrade his existing hardware and software; the availability of new software; and whether his current software will run on Pentium-based PCs. Significantly, how will the new microprocessors affect PC costs?

The best thing may be to stay with what a user already has for a while. "Buy an economical 486SX which runs Windows right now," recommends Mr Kim Brown, microsystems vice president at InfoCorp, a market research company in

Santa Clara, California. If a user wants more performance later in the year, incorporate an Intel DX2 Overdrive microchip that doubles processor performance. Mr Brown suggests DX2 Overdrive prices are too high at the moment but should become reasonable later on, he says.

Then next year, as Pentium-based PC prices begin to fall, look carefully at existing applications and determine whether Pentium provides a viable and needed alternative, he adds.

A buy-and-hold strategy makes sense to Mr Nancy Tanana, marketing manager at the PC business unit of Digital Equipment in Acton, Massachusetts.

If the applications in use are fairly static and not highly graphical, such as spreadsheets or word processing, then a 486 will do the job for the next several years, she says. There are still a lot of 386-based systems being shipped to meet those kinds of needs as well, she observes.

However, it obviously depends on which applications are in use. If file or network servers are being implemented, then a more powerful, next-generation processor is probably needed, Ms Tanana adds.

Also holding back, Mr Scott Urich, senior analyst, at Municipal Bond Investors Assurance (MBIA) in

SINCE it entered the PC marketplace six years ago, AST Research has quietly become a \$1bn-plus company that is compared favourably with such first-tier high-flyers as Compaq and Dell Computer.

Revenues from the most recent second fiscal quarter soared to \$346.5m, up \$60m from the previous quarter and \$107m from a year earlier, while net income almost doubled to \$14.9m from the previous quarter. Revenues have grown 60 per cent over the past 12 months. In that second quarter AST shipped 200,000 notebook, portable and desktop PCs and expects to ship 1m units in the next 12 months.

But that only makes AST a fish that is eighth in the US and 11th worldwide in a rolling PC marketplace, swimming among much larger sharks such as IBM, Apple, Compaq and Dell. It must navigate carefully to survive in a marketplace ruled by severe price competition, continuing shake-out of PC vendors and unrelenting technological innovation. Furthermore, all competitors have access to the same commodity components and software.

Reflecting on market conditions, analysts with investment house Merrill Lynch Global Securities Research estimates that, although

Mr Qureshey points out that AST has a young workforce that might become overawed competing

against the likes of IBM and Compaq, "AST has to find its own solutions" and "build an organisation that doesn't get scared," he says.

"We must constantly re-engineer the organisation," Mr Qureshey says. "If we continue to do what we did a year ago, we will fail," he says. AST employees must not be afraid to experiment, he adds.

To prepare for growth, Mr Qureshey says that a strong management team has been brought in. The new head of engineering is a 15-year veteran from IBM's PC operation in Boca Raton, Florida. Worldwide service (an AST strong suit) is run by a 25-year Digital Equipment veteran and worldwide manufacturing by a manager with 10 years' experience at Motorola and 15 years at Texas Instruments. The former engineering head now handles new business and technology opportunities.

But how does bringing in industry veterans from large organisations that might be perceived as slow-moving squids with a young company trying to thrive on

invention processes to produce Pentiums in volume, he says.

When it is time to upgrade his PC, a user has several choices: buy a whole new PC; swap a new Pentium-based motherboard (printed circuit board on which the chips are mounted) for an existing 486 PC; plug in an add-in card containing

A user needs to know how and when to best upgrade his hardware and software

a new higher performance processor; or replace a 486 chip with a higher performance microprocessor - assuming that the existing socket on the motherboard will accept the new microchip. Each approach has pros and cons.

For Mr Chuck Davis, information resources director at Eagle Industries in Chicago, Illinois, swapping boards gives a level of complexity he does not need. Using boards would create problems with ordering, record keeping, installation and

maintenance, he says. "My orientation is toward the box, not the CPU or boards. We move boxes, not boards," he says.

Mr Urich of MBIA would probably swap motherboards or use add-in cards containing new microprocessors to upgrade but that would depend on the cost implications. However, using add-in cards would not overcome the limitations of the other parts of existing PCs.

To provide a system-level

upgrade, Dell Computer in Austin, Texas, recently announced 18 new 486-based PCs with sockets that will accept a Pentium-based microprocessor from Intel, according to Mr Charles Sauer, vice-president for software and technology strategy. Dell is evaluating a Pentium add-in card for the new systems that would provide users with an upgrade path, he says.

Chip vendors cloning Intel microprocessors also provide upgrade options. For example, Cyrix in Richardson, Texas, enables users to upgrade their 386DX sockets by plugging in a 486-compatible micro-

chip that doubles the clock speed, according to Mr Glenn Burchers, microprocessor marketing manager. Cyrix also is developing Spike, a processor, due out in the second half of 1993, that is Intel-compatible for which he claims better-than-Pentium performance.

But software can also limit PC performance, Mr Thomsen of Pathfinder points out. Software is the real wild card in the whole mix, he says. To exercise fully the performance of Pentium and Alpha class microprocessors, for example, Microsoft is developing Windows NT (New Technology) which is expected to be unveiled in May.

Windows NT is designed to let a desktop run applications software developed specifically for the new microprocessors as well as existing applications software written for current Intel-based PCs, such as 486DX desktops that have MS-DOS operating systems. Presumably, x86 applications software could run on, say, an Alpha-based machine, as well as a Pentium one.

This "backwards-compatibility," a stated goal of Microsoft and chip vendors, is designed to preserve the great investment and installed base of MS-DOS and Windows-based applications and might give users more flexibility in choosing new hardware. "The beauty of the DOS-based PC is the \$100bn software

base," declares Mr Dick Eckhardt, engineering vice president of Cyber Research in Branford, Connecticut. "No one will buy a system that's not compatible with that software," he says.

However, Windows NT will only emulate software written for 486 and older PCs, so performance - though quicker than a 486 machine - won't be as fast as software written specifically for Windows NT, according to Mr Scott Thomas, of Toshiba's Semiconductor Group in Irvine, California. To run faster, the software would have to be cleaned up but this should not be too difficult, he adds.

"There's no merit in buying a \$86 (Pentium-class) machine and running the software (he uses). Mr Thomsen points out (he uses a 33MHz 386-based desktop, which works just fine, he says.) "To optimise the performance of a 386, you need to recompile all the software to take advantage of all of the microprocessor's features."

What about PC pricing? Mr Peter Zandman, a market analyst at Intellisys, Austin, Texas, believes that Intel will pursue an aggressive pricing strategy for Pentium, echoing the 386 to 486 transition. This should be reflected fairly early on in PC pricing, he says. Users not only will expect it but will demand it, he adds.

Alex Brown analysts say that OEM sales is an increasing percentage of North American sales, rising from 10 per cent to the teens, depending on the quarter.

The initial Bravo line was brought out four years ago to offer business-oriented features when people were buying consumer-oriented PCs from Leading Edge and Samsung, Mr Qureshey says. A year ago it introduced the Advantage line for consumer electronic chain stores, now in more than 900 US locations. "We created a whole new strategy," he declares, one that saw revenues for that segment grow to \$50m in the second quarter from \$30m in the first.

Being vertically integrated also enables AST to design and manufacture PCs for other PC vendors. It reportedly builds PCs for Digital Equipment and may also do contract manufacturing for either IBM or Unisys, according to Alex Brown analysts. Mr Qureshey will not comment on specifics but says that because AST competes head to head with the best PC vendors in the marketplace, large system houses confidently come to the company for design and manufacturing.

According to Mr Qureshey, AST's success is based on being totally focused on the PC business, based in the biggest marketplace, able to pick and choose from the best technology, and staying close to customers to respond to their needs.

That may sound like motherhood and apple pie, but Mr Qureshey says it is also based on the "challenge" of having his 280-person engineering department bring out the best performance from commodity components and software.

Mr Qureshey claims that when AST entered the PC market six years ago with a 386-based machine, it set new standards for price and performance and started the company's growth. Two years ago AST went after the notebook market against the likes of Compaq, NEC, Toshiba and Zenith and is now a solid number three in the notebook business.

Alex Brown analysts call AST's PowerEdge notebooks introduced last September "unparalleled in the industry". The notebooks have port modules that enable users to upgrade their display screens, microprocessors and hard disk drives without having to buy a whole new system. The \$395 to \$3,395 Bravo line of desktops for small and medium-sized businesses

Others include pen-based PCs and multimedia machines, which Mr Qureshey says have no primary applications driving them today. They will be niche markets for the next 12 months, he says. Nevertheless, AST will introduce a pen-based system in a few months as part of a measured product strategy in both areas.

AST, now 12 years old, began as a maker of add-in boards that enabled users to add features to IBM PCs. It took its name from the first letters of its co-founders' first names. "I think that there will be 10 or 12 PC manufacturers left in the world and AST will be one of them," Mr Qureshey declares.

Bill Arnold

Profile: AST RESEARCH

A fish among sharks

change? Acknowledging that this was a concern, Mr Qureshey says that they were chosen carefully and attracted to AST in the first place.

The ex-IBM, for example, was responsible for several successful products there.

AST's goal is to grow faster than the marketplace. More moderate price

changes in the coming months will help, he predicts. The big players were out of line with their prices and made a correction. Declines now are not likely to be as steep as the last six months of 1992, he maintains.

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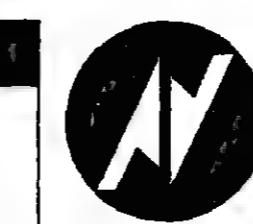
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PERSONAL AND PORTABLE COMPUTERS 6

Paul Taylor looks at battery technology and power management

Quest for lighter machines poses a bit of a size problem

WHEN THE transportable computer had the dimensions and weight of a large and full briefcase which was usually plugged into the mains, the size, weight and capacity of the batteries were relatively unimportant.

However, as portable computers have shrunk and computing-on-the-move has become more of a reality, considerably more attention has been focused on the power supply and particularly on how long batteries will last between charges.

Indeed, battery technology has become one of the main limiting factors in the quest for lighter and smaller machines with desktop functionality that can operate for long periods without an umbilical power cord.

Unfortunately, battery technology has lagged behind developments in almost every other sector of electronics. By some estimates, battery technology for portables has improved a paltry 5 per cent a year and in most portable devices the battery now accounts for a quarter of the weight, compared with a tenth a decade ago. As a result, battery makers are now scrambling to come up with lighter, more powerful and longer-lasting batteries.

With the exception of handheld computers, most portables have until recently relied on rechargeable nickel-cadmium batteries. Generally, they provide enough power between charges to keep a notebook PC running only for between one and four hours, depending upon the application. More power could be delivered by larger batteries, but this would add weight.

These NiCad batteries have other disadvantages, including

the so-called "memory-effect" which can mean that unless they are fully discharged before recharging they gradually lose capacity - or the ability to be fully recharged.

Improvements in NiCad technology are reaching their limits, while some governments are moving towards banning them because the cadmium they contain is so toxic that they are difficult to dispose of safely. So researchers have switched their attention to new types of rechargeable batteries.

Several alternatives have been tried, but most have either proved unstable or have shown little power-to-weight advantage over NiCad cells. Manufacturers want a cell that is electrically compatible with NiCads but lighter, thinner, longer-lasting, quicker to recharge and friendlier to the environment.

So far, the most popular alternative has been nickel-metal hydride powerpacks. Initially developed in Japan by Sanyo, NiMH batteries can now be found in the latest portables. NiMH cells deliver the same 1.2 volts as NiCad cells but can store nearly twice as much power (watt-hours) and have the added advantage of being more environmentally friendly. Their total life span of about 1,000 charge/discharge cycles compares with

500 to 600 cycles for NiCad batteries.

However, some manufacturers including Sony Energy, an affiliate of the consumer electronics giant, have attempted to leapfrog the competition with a new generation of rechargeable batteries based on a lithium ion cell.

As portable computers have shrunk and computing-on-the-move has become more of a reality, considerably more attention has been focused on the power supply

own microprocessors - turning them into what Dr Ross Green, a senior consultant and researcher at the Hertfordshire-based Technology Partnership, calls "intelligent battery packs".

By providing rechargeable batteries with a thumb-sized low-cost microprocessor

chip, coupled in particular with the advent of power-hungry colour portables, has encouraged portable computer manufacturers to turn to other solutions to extend operating life of their machines.

This is one factor behind the move by notebook computer manufacturers to replace disk drives and similar components with less power-hungry alternatives such as the PCMCIA (Personal Computer Memory Card International Association) memory cards.

An earlier development, pioneered by Toshiba, was software-implemented power management systems which introduced auto-resume and "pop-up" battery power indicators.

Software-based power management solutions can enhance battery life, but some risk introducing compatibility and reliability problems, and more fundamental solutions are required to achieve the substantial power savings which portable PCs users now demand.

More complex power management systems therefore depend upon a combination of hardware and software features.

To provide this, chipmakers AMD and Intel have begun to deliver low power versions of their standard micro-processors with special built-in features to improve power management and extend battery life. Intel began by redesigning its 386SL chip set to include System Management Mode (SMM) circuitry producing the power-saving Intel 386SL chip, unveiled at the end of 1990.

Last year, Intel followed up

by releasing the 486SL, a low-voltage version of its most powerful PC processor. The 486SL's "flexible voltage" feature means that although it can operate as a 5-volt device, the real savings are made at 2.5 volts with other low voltage components. In these circumstances power consumption is reduced 50 per cent from a 5-volt 386SL system.

Intel claimed this should yield one to four hours of additional battery life.

Low-powered chips running at 3.3 volts, instead of the usual 5 volts, have another big advantage - there is less waste heat to contend with.

Indeed, some portable computer manufacturers held off from releasing 386SL notebooks because of concern about overheating and Intel has incorporated System Management Mode (SMM) circuitry into its soon-to-be-released Pentium chip.

SMM is thought to account for about 10 per cent of the 2.5m transistors on the Pentium chip, switching idle bits of the computer in and out of "sleep" mode at great speed and even turning off different parts of the microprocessor between key strokes.

Perhaps by the time the first Pentium-based portables appear, other power management techniques and battery technology itself will have made equally significant leaps forward.

Paul Taylor



The pen may prove mightier than the key

ELECTRONIC PEN TECHNOLOGY

A shadow on Qwerty's keys

THE QWERTY keyboard has always been an odd choice of interface between man and machine. It is difficult to use, and for many, intimidating.

By the end of this decade, if the prophets of high technology are right, the keyboard may have been consigned to the dustbin, at least as far as portable computing is concerned. In its place could come voice or electronic pen technology.

The hottest new products at last November's Comdex computer fair in Las Vegas were those operated by moving an electronic pen across a touch-sensitive screen or pad. Portable Computer manufacturers, including industry heavyweights Toshiba, Apple, and IBM are racing to deliver computers which take their commands from a pen rather than a keyboard.

Some market researchers have predicted that 1m pen computers will be sold by 1995, but the market is in its infancy and the estimates vary wildly. Last year perhaps 100,000 pen-based machines were sold.

Some industry analysts and manufacturers believe that in the longer term ferro-electric LCDs, pioneered by Thion EMi in the UK and Cannon in Japan, offer the most promise because potentially they have significant advantages over TFT displays.

FLCDs use a different type of liquid crystal which reacts more quickly and, most importantly, is bi-stable. This means that if a pixel is switched on so that light cannot pass, it stays like that; if it is switched off so that light can pass, it stays like that.

Because only those parts of the screen that have changed need to be updated, battery life can be increased by 20 times or more.

So far, two basic designs of pen computer have appeared: the clipboard and the palm-top. Clipboards are generally A4 size, weigh about 8lb, and are used just like a conventional pen and paper clipboard for collecting data or completing pre-defined electronic forms. Customised software enables engineers, market researchers, nurses or surveyors, for example, to gather data, with the pen operating like a glorified mouse, pointing to items on the screen to select them.

On both sides of the Atlantic several companies have begun to use clipboard machines so as to achieve cost savings in paper-intensive areas. The UK Department of Trade has also sponsored the Freestyle project to explore the use of pen computers in industry.

However, the biggest market share of the pen-based computer market is expected to go to the hand-held palm-tops. The most eagerly awaited of these is the Newton, Apple's "personal digital assistant" which is due to be launched later this year. Newton, measuring 7in by 4in, will feature a flip-up lid and a thin electronic pen which clips

onto the side of the casing.

Once again, however, the development of the pen computer market, like the desktop PC market before it, could be constrained by competing software operating systems. In

addition to Apple's Newton, there are already three competing operating systems, Microsoft's Windows for pen computing, which claims the support of more than 120 software vendors, Penpoint from GO, a Silicon Valley company and Geoworks. IBM is also understood to be working on a version of its OS/2 operating system for pen environments.

Microsoft, in particular, is betting heavily on the success of pen computing. Mr Bill Gates, its chairman and co-founder, has said he expects

IBM to be racing to take off very rapidly. He sees pen-based computer systems as "the next generation of portable computers."

The company believes that the relative ease of using a pen-shaped electronic stylus instead of a keyboard will provide computer power to users like lorry drivers, meter readers, the police and others who, because of their jobs, cannot use a conventional portable computer with a keyboard.

However, before pen computers become widely adopted, the character recognition software which they use for turning pen writing into computer text will have to become more sophisticated. At present most systems can just about cope with neatly-written capitals, but are lost when it comes to reading standard cursive writing. What is more, most typists, even the two-fingered variety, can write more quickly with a keyboard.

For these reasons, some critics suggest that the advantages of pen computing are overstated. One possible intermediate solution to this problem is to build machines which feature both keyboards and electronic pens.

One such machine is the recently launched GRID Convertible which looks and works like any other clamshell-type notebook computer. However, by using cunning hinges which drop the screen flat on its face, the Convertible can be closed with the screen on the outside. It can then be used like a conventional clipboard pen system.

Meanwhile Sharp, the Japanese electronics group, will launch the latest in its IQ electronic organisers next month which for the first time uses pen technology. The IQ-9000 has a small keyboard and an electronic pen which can be used to activate the usual functions of an organiser on its touch sensitive screen.

However, as in the PC market, any surge in pen-based computer sales will probably not happen until the development of application software will enable the machines to do really useful work - and no one really knows what form that will take or when it will happen.

Paul Taylor

SCREEN TECHNOLOGY

Display: the next steps

realise so that they could either pass, or block, polarised light.

Ten years later Sharp, the Japanese consumer electronics group, sold the first calculators with LCD screens. But when the first transportable computers emerged in the early 1980s, they packed tiny cathode-ray tube displays. These were heavy and power-hungry and

were quickly replaced by the LCD panel which has since become the standard for portable computing.

Nevertheless, over the past decade there has been growing pressure from portable computer users for clearer, brighter screens and in particular colour and high-resolution and colour screens able to do justice to sophisticated soft-

ware packages like those running under Microsoft's Windows.

This is fine for a small display, unfortunately, however, as the size of the display increases, the contrast between dark and light areas declines. To compensate for this, manufacturers have sought to increase the twisting effect and thereby heighten contrast.

They have developed "super twisted" nematic displays (STN) which produce the fine screens familiar to portable and laptop computer users, and "double super twisted" nematic (DSTN) displays in which two STN cells are used.

Finally, there are "triple super twisted" nematic (TSTN) displays which use a refracting polymer film applied to the STN cell, allowing thinner displays with higher contrast.

Today's new slimline notebook machines, like the 3.5lb Dell 320SLI, boast these significantly improved LCD screens which also consume less power than their predecessors, enabling manufacturers to cut battery weight.

Dell's 320SLI features a 9.5 inch LCD that uses 75 per cent less power than the conventional edge-lit LCD but is still able to offer a high contrast ratio of 12:1 and 640x480 (VGA) resolution.

However, despite these improvements, "passive" LCD technology still has some shortcomings. In particular, the contrast is still insufficient

to reproduce the entire range of colours available on a CRT, and LCDs have relatively slow response times which mean that moving images in particular tend to blur and leave shadows.

These problems are overcome by using another form of LCD screen. Most notebook manufacturers now sell premium-priced top-end machines with high definition full-colour LCD screens using "active matrix" thin film transistor (TFT) technology in which contrast and response time are boosted by adding a transistor "switch" to each display cell or pixel.

However, a TFT display is an extremely complex device consisting of 10 to 15 layers of materials, finely etched circuitry, and around 1m transistors that can be shorted out by a microscopic speck of dust.

Predictably, manufacturing defects are high and, despite manufacturing improvements, up to 20 per cent of the displays have to be scrapped. But as yields improve, prices are beginning to fall.

Aside from passive and active matrix LCDs, there are two other relatively common screen technologies in current use: gas plasma and electroluminescence.

Unlike LCDs, which need back or sidelight, gas plasma displays generate their own light. A particular advantage of the technology is that response times are fast. The price of gas plasma portables is lower than that of active

matrix systems, and colour plasma displays are technically possible.

Electroluminescence (EL) screens are also fast, can support very high resolutions and are cheaper than TFT displays, but they tend to be power-hungry.

Manufacturers have therefore been investigating other screen technologies including ferro-electric LCDs and metal-insulator-metal (MIM) screens, both of which have yet to make their way into full commercial production.

In MIM displays, a layer of insulator is sandwiched between two layers of metal.

Unlike LCDs, gas plasma displays generate their own light

They provide high contrast and may eventually be cheaper than TFT machines. However, mass production techniques for MIM displays have yet to be devised.

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PERSONAL AND PORTABLE COMPUTERS 9

THE computer industry is preparing itself for one of its periodic technology shifts. In the past these shifts were solely the result of fundamental advances in hardware - the inventions of both the transistor and the microprocessor are notable examples.

This time, however, the technology shift is the result of a fundamental change in operating system software - the software which controls what goes on "under the covers" and provides the base for applications.

Improvements in user interface software and in telecom-

munications, and the novel applications they can deliver, demand much more from operating systems software than before. Nowadays they must not only control the internal workings of the computer they dwell in, they must also take care of the complexities of networks and be able to communicate with other systems.

The stability of the personal computer software industry is, therefore, under threat. Microsoft's MS/DOS - with an estimated 150m users worldwide - has dominated the PC industry for a decade and fought off

every challenge. But at the end of 1992 US networking software company Novell declared its intent to take over the development of Unix, one of the two biggest challengers to MS/DOS. Originally developed by AT&T for minicomputers, Unix has been widely adopted as the universal operating system for mid-range computers - although it has, for some time, been touted as a possible candidate to replace MS/DOS. Through the takeover of Unix Systems Laboratories (USL), which was set up in 1991 to co-ordinate development of Unix for the industry as a whole, Novell hopes to become the "custodian" of Unix and mount a serious challenge to Microsoft.

Novell hopes to do this by bringing Unix together with PC networks.

Novell is in a good position to achieve this. It has established itself as the dominant supplier of networking software for personal computer local area networks (LANs) with its Netware package. It claims to have about 70 per cent of this growing market and has itself beaten off a challenge from Microsoft - which also has designs on this important market.

Novell's takeover has other implications - especially in the market for corporate computer networks. USL also controls the development of an important software product called Tuxedo - a package that can combine traditional corporate transaction process-

ing with personal computer networking.

Novell's move has occurred at a time when the limitations of personal computer software are becoming increasingly evident. Their lack, both of system security and the robustness associated with operating software on large computers, has led to close examination of operating system software and what it might be required to do in the next decade.

If Novell combines its successful networking software with the virtues offered by Unix and Tuxedo, it could outflank Microsoft.

It will certainly change the fate of Unix.

"We see Novell skewing development towards the inte-

gration of Unix with networks," says Paul McGuckin, a mid-range computing specialist at market researchers Gartner Group.

"It will concentrate on the kernel, low-level operating software - at the expense of the high-level stuff. This could mean that Unix vendors will have to be more self-reliant as far as the high-end development is concerned," Mr McGuckin adds.

The technological intricacies of computer operating systems are generally beyond most computer users. Unfortunately, the choice of an operating system is as important as the choice of the computer hardware it runs on. Operating systems organise the internal

workings of a computer and, as a consequence, they dictate what the computer can do and what applications software can be used.

The MS/DOS PC launched by IBM a decade ago brought stability for the first time and allowed the development of a wide range of applications.

The success of the graphical user interface (GUI) on the Apple Macintosh prompted Microsoft to add the Windows GUI and make significant improvements to the original software, but MS/DOS is still outdated and in need of replacement.

Specifically, MS/DOS has failed to make any impact on the world of networked systems - the area where Novell dominates.

The final result of the conflict is far from clear. Microsoft continues to improve MS/DOS and is in the process of developing Windows/NT - an entirely new contender. IBM's rival to USL's Tuxedo is a Unix-based version of its 25-year-old CICS teleprocessing package. Developed originally for mainframe-based on-line processing, CICS is a well-established and mature piece of software with about 33,000 principal sites across the world.

Mr Brian McBride, IBM UK's AIX marketing director, sees Novell's takeover of Unix as "healthy" because it brings stability to Unix. "We see it as a different implementation that we can communicate with. None of us can afford to lock each other out in a networked world and we are all being driven to standards-based inter-operability," he adds.

Last year IBM announced CICS/6000, a version which will run under AIX/Unix and allow personal computers to act as "client" terminals to an enterprise-wide computer system. IBM has licensed CICS to Hewlett Packard, which will build a "reference" version of work on other manufacturers' mid-range Unix systems.

According to the Gartner Group, this sector is set to expand rapidly in the next three years. It says that the total market for mid-range transaction processing was worth only \$180m last year. By 1995 it will be worth \$3bn worldwide - with Tuxedo and CICS/6000 taking more than 50 per cent of the market between them.

This is rich ground for a battle between IBM and Novell. It also seems likely that Microsoft - while having no obvious plans to get into this area - will certainly be keeping an eye on it.

Phil Manchester

CHIP WARS

The battle to topple Intel



Clean-cut chip-making under sterile conditions at Plessey

specification for such systems. Packing density is as crucial an element as consumption. Many other suppliers, such as Cyrix and Chips and Technologies, offer notebook PC manufacturers greater advantages by integrating more of the PC architecture "glue" circuitry - the many components that surround the processor and memory devices - on to a single chip together with the processor itself.

In the near term, Intel's success will hinge on its continued extension of the technology. It has, for example, the next generation of its processor family, the Pentium, often referred to as the 486SX due out shortly. Several PC makers have already demonstrated systems running this device and it is likely soon to appear in a high-end portable system as well.

Further in time comes the "future" competition, in particular the new generation of hand-held computer-telephone systems, Personal Digital Assistants (PDAs).

The first company to declare a real interest in this market has been Apple Computer, with its Newton product, based on a Reduced Instruction Set Computer (RISC) chip from ARM, the UK company in which has a minority stake. A more recent contender is Sharp, the Japanese consumer electronics and computer giant. As yet, however, it is fair to say that both are dabbling with the market to assess customer demand.

The potential, however, is huge, particularly if AT&T, the US telecommunication leader, is to be believed. The company's microelectronics division recently launched the Hobbit processor chip set specifically to address this market, predicted to account for 100 units by the turn of the century.

The objective is to create systems which combine personal pen computer, cellular telephone, fax and a wide range of communication services such as electronic mail into a single, hand-held personal unit.

This is an entirely new marketplace which Intel, and others that make compatible chips, will not automatically dominate.

Indeed, the power required to manage these facilities points, as AT&T has found, to the use of RISC devices optimised for the job.

It is an opportunity which has not escaped the notice of IBM which, together with its alliance partners Apple and Motorola, is already well advanced on the design of a chip specifically for PDAs.

This will be a development of the new PowerPC processors from the partners, the first example of which is now entering production. It will have a significant potential advantage for corporate users, for it is planned to be code-compatible with all other versions of the PowerPC family. This will extend from desktop workstations to large enterprise network servers.

It is unlikely that Intel will ignore this new market opportunity, especially as it could also offer similar levels of enterprise-wide compatibility. It is, however, a market offering different technologies and services, so it will be a new, level playing field on which it has to compete.

Martin Banks

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PERSONAL AND PORTABLE COMPUTERS 10

DISTRIBUTION

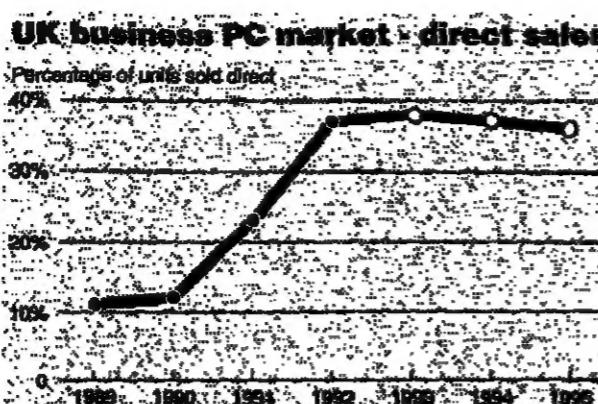
Pile the small boxes high

WHEN IT comes to distribution, the salient feature of the portable computer sector at the moment is that there is no salient feature. The construction of an average portable computer is now virtually as trivial a task as the construction of an average desktop PC, the arrival of the portable computer as a commodity means the departure of its ability to command a greater margin than a desktop computer.

Traditionally the trade's ability to charge higher prices for, and therefore make a greater margin on, portable computers has been dependent on the expense of producing components that are smaller and use less power than those that make up a desktop computer. The standard package that these components have to be placed in has not, however, shrunk significantly in the past 18 months or so, and the portable's place on the cutting edge of technology has started to look shaky.

If the target box weighs around 8lb and takes up the same amount of desk space as an A4 sheet, you don't actually need to make the hard disk smaller than 2.5in, and if you have not yet made the next breakthrough in battery or LCD (Liquid Crystal Display) technology, you cannot charge for it. In effect, you could say that portable computing is between technologies.

The current basic issues in portable computer distribution are therefore similar to those in the desktop market. The



direct channel, typified by small start-up companies specialising in off-the-page, low margin selling sets the price for an increasingly experienced user base, while traditional players react by cutting their own costs, perhaps stripping service out of the basic machine price and selling it as an extra, and attempting to segment the market by launching multiple ranges.

It is no accident that the low-cost ranges which Compaq and IBM produce for the commodity market now tend to include portable computers. Essentially, portables are now boxes, and the main difference is that, as they are smaller boxes, you can pile them *higher* before you sell them cheap.

For other reasons, desktops are likely to become more like portables. The US Environmental Protection Agency (EPA) Energy Star programme, for example, is intended to trigger

sense to incorporate clever circuitry that switches off parts not being used. But it is the life of a desktop machine that has to be maximised, so it probably does not make sense to have bits switching off in between key-presses, because the machine will break a lot sooner. It is not, however, clear how much users would be willing to pay for such an apparently small piece of differentiation.

But there are areas associated with portable computing where differentiation is still possible, because although the box itself has become trivial, the way in which it links to the rest of the world is becoming more critical. If it is now financially viable for a company to buy 2,000 portable computers for its salesforce, it becomes absolutely vital that the company work out how that salesforce uses those machines in the company network.

So the perceived value of the machine, and hence the margin, will be greater if it uses some form of "base station" of the sort recently introduced by Apple, where the connections and expansion can be left on the office desk, and the portable plugged in when it needs to be a "desktop".

Because most portables do not use standard expansion slots, manufacturers which have spent money on developing internal fax modems and network adaptors for their machines will again tend to be able to raise margins for a short period. By switching to smaller format designs, dropping the weight of a notebook computer by a few pounds as companies like Dell have recently done, and by pushing into colour screens, manufacturers will have the ability to restart the technological spiral.

Theoretically, these advances should erode, and some companies may give out the impression that they have vanished already, but credit card expansion, which will ultimately lead to new capability for both portable and desktop machines, is not quite as finished as one might suppose.

Although there were numerous credit card-sized fax modems at Comdex, the US computer show, last year, Mr Bill Goodwin, chairman of British developer Communicate, claims his was one of the few that actually worked. Credit card Ethernet and Token Ring adaptors are in a similar state of development, and although Communicate finds that an increasing number of manufacturers rely on the imminent arrival of credit cards, rather than pay to have their own internal modems developed, credit card expansion slots are still not so common, and when they are fitted are not necessarily of the type needed.

To be used for anything other than memory expansion, the slot has to be PCMCIA (Personal Computer Memory Card International Association) type 2 or greater, while for larger peripherals such as credit card hard disks, the double thickness PCMCIA type 3 is needed. No machines on the market use this, but then there are no credit card hard disks on the market, either.

But although it is still possible for the channel to make money out of portables by selling high value expansion, and the next generation of "standard" portable expansion will also initially be able to command higher prices, this new equipment is being designed specifically to sell as a commodity, and should only be able to raise margins for a short period. By switching to smaller format designs, dropping the weight of a notebook computer by a few pounds as companies like Dell have recently done, and by pushing into colour screens, manufacturers will have the ability to restart the technological spiral.

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John Lettice

THE POINT about the computer of the future is that it is a phone. For the past 10 years the computer industry has been trying to sell computers to people who do not buy them. The sticking point has always been that people buy computers, not computers. There is no single application that the buyer who does not need a spreadsheet, database, word processor or games-playing machine views as a "must". So enter the Personal Digital Assistant (PDA), the phone, the entirely different model.

Apple fired the first shot in the PDA war about a year ago, announcing its Newton device, which is the world's first PDA. It is not, however, clear how many users would be willing to pay for such an apparently small piece of differentiation.

AT&T sees the PDA market as eventually being in the billions, "basically the number of people in the world if we're being modest, and the number of people in the world if we're not". And Mr Minge himself accepts that for his dreams to come true, users have to sell at consumer prices, say \$99 or \$299, depending on which side of the Atlantic you're on.

IBM spokesman, however, speak of a substantially higher initial price, \$2,000-\$1,000 being basically dictated by prices in the telephone market, which is probably the PDA's first achievable target.

The first IBM demonstration units indicate the type of machine that the company intends to test this summer. They are slightly larger and heavier than the current generation telephones, but are of similar shape. Rather than a keypad or keyboard, they have a touch-screen and pen combination which allows different key or number layouts to be used, and also gives the computer phone some note-taking capabilities.

Instead of the new generation operating systems, such as Go's PenPoint, Microsoft's Pen Windows or IBM's own Pen extensions to OS/2, they use a custom version of the PC-DOS operating system that has been running on desktop PCs for 10 years.

Mr Lee Riedwig, IBM software president, sees DOS - which was developed to run on low-power computers - as the operating system to be used on machines with limited power.

and IBM's PDA is one of the first examples in that kind of setting. Although its basic system is DOS, the machine uses what is described as a "custom shell" sitting on top, and users need never see the systems that lie underneath.

In this way, IBM should have a chance of establishing itself in the telephone market, by offering basic phone services plus smart messaging, computer communications, notepad and personal organizer functions. As the cellular market itself grows out of its niche, PDA suppliers should be able to grow with, or even ahead of, it.

Although IBM has historically been known for producing high-value machines, the company now looks well-prepared to exploit the market for low-cost, hand-held devices.

Along with Intel, IBM runs the Robert Noyce Center research project in Essex, UK. Its primary goal is to produce a super-integrated PC-on-a-chip based on Intel's x86 processor. This will provide brains for the PDAs, which will be compatible with current industry standards.

IBM is also one of the few substantial memory manufacturers outside south-east Asia, and is investing heavily in the next generation, while it is also one of the few western companies involved in developing flat panel colour displays.

Heavy research in multimedia, together with its alliance with Apple, may not have an effect on the first generation of IBM PDAs, but as the devices move from high-price specialist business tools to low-cost consumer toys, knowledge of how to handle sound and video will also become important.

John Lettice

Geof Wheelwright looks at networks' hidden benefits

Tougher times for pirates

PERSONAL COMPUTER networks look set to change forever the way that software is sold and used. While networks offer computer users many big advantages, there are also some hidden benefits for computer and software manufacturers about which you will probably not hear so much.

To start with, PC networks give computer companies control over what is being done with PC software throughout an office or department - and in particular they restrict software piracy.

For years, it was common practice in many companies to buy a single copy of a popular PC package such as WordPerfect or Lotus 1-2-3 and let a number of users share it.

For as long, the software industry has been telling users that this was illegal. It has tried to educate the business community about software licensing and piracy issues. Now, the advent of widespread PC networking gives it a chance to exert effective control over software use.

The breakthrough has been achieved by the introduction of "network-aware" versions of stand-alone PC software products. For example, a network-configured version of a spreadsheet can identify the serial numbers of all other versions of that software being used at the same time. If it finds any other machine using a spreadsheet with the same serial number, it will refuse to load.

Piracy prevention is not the major reason for producing network-aware versions of software, but it is a useful by-product of the process. It is also forcing software companies to look at how personal computer software is sold. Traditionally, software companies would tell purchasers that they were buying a single "site-licence". That licence would entitle the user to operate the software on only one computer at any one time. It would be all right to have one copy on your desktop computer and another on your portable system - provided both were never in use at the same time.

But with the average "serious" software application costing \$300 to \$700, many companies found that buying enough software for everyone who might want to use it was too expensive. In small companies

many individuals deliberately or inadvertently made single copies of software on more PCs than they should.

The industry is aware that piracy is still widespread and that software companies are missing out on sales. To combat the problem, companies such as Microsoft are considering "site licensing". The theory is: companies which buy a copy of every product for every employee rarely have more than 50 per cent of that software in use at any one time. So they are paying for more software than they need. Also, some may shy away from implementing a given software solution altogether due to the cost.

According to Mr Mike Maples, Microsoft executive vice-president for products, "site

licences" allow all users in a company to install the Microsoft's Word for Windows word-processor on their PCs - but the company would pay only 50 per cent of the cost of buying individual licences.

He says software companies would actually sell more product to corporate customers and that piracy would decline dramatically if this were to become widespread. The software companies could also make money on sales of additional documentation for extra users and on the supply of training programmes - which have long been a source of strong profit for those that conduct them.

These "soft" solutions to the piracy problem are an improvement on the heavy-handed efforts such as the use of "key" disks or hardware "dongles". The key disk anti-piracy system required users to have a specially-encoded floppy disk in the disk drive of their PCs when they wanted to use the software. This arrangement was fine until you accidentally damaged or lost the key disk - then you would be unable to use your software.

There have been similar problems with "dongles" - which are anti-piracy software devices on a chip. They operate by plugging into a PC's printer port and send signals to the PC that the dongle is in place and the copy of the software is legitimate. Dongles have, however, been known to interfere with printing and are also easy to lose. Software reviewers despise them and users have no great enthusiasm for them, either. But with improved network-based control of software registration and an increased use of site-licensing, neither dongles nor software protection look as if they have a future.

Finally, it appears that even the US government wants to help end piracy. Outgoing President George Bush signed an anti-piracy bill late last year that imposed tougher fines and jail sentences on big-time software pirates. Software piracy is now a felony - punishable by up to five years in prison and \$250,000 in fines - rather than a misdemeanour. And US professional software associations hope that the new legislation will help curb the estimated \$1.2bn lost in revenues each year to software piracy.

Although the software industry does not expect the Federal Bureau of Investigation to leap to attention every time an individual PC user makes an illegal back-up copy of software, the publicity being given to these changes in piracy law should make big-time pirates think twice. Combine that with an ongoing legal assault on piracy and you have a powerful movement against the illegal use of software.

Mr Bill Gates, Microsoft chairman and founder, says that he has teams of people reading computer advertisements from small PC manufacturers all over the country - and checking with the Microsoft contract department to ensure that each one which offers the MS-DOS operating system with PCs actually has a legitimate contract to have it supplied. If not, Mr Gates unleashes the legal wolves.

The message in all this is to be much more careful about the software you put on your PC. The industry is out to get software pirates - and with huge financial resources, and the backing of the Federal Bureau of Investigation - the pirates don't stand much of a chance.

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